

# BUSINESS WEEK

October 28, 1961

Fifty cents

A McGraw-Hill Publication

Personal incomes  
continue slow rise

Page 120

## Khrushchev's Russia

★ An inside look  
at its industry  
and people

★ Special report  
[first of two parts]  
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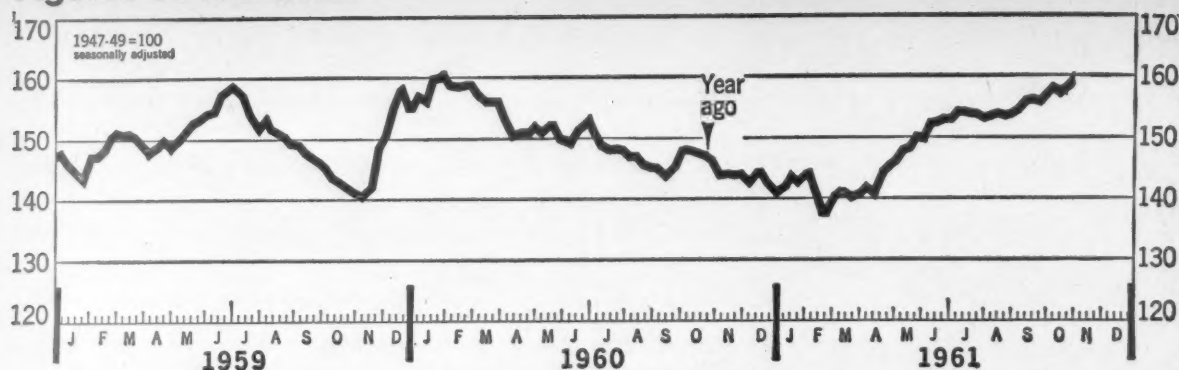
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## Figures of the week



### BUSINESS WEEK index chart

#### Production

	1953-55 average	Year ago	Month ago	Week ago	Latest Week
Steel ingot [thous. of tons].....	2,032	1,579	2,114	2,071r	2,042
Automobiles .....	125,553	146,339	73,034	96,207r	142,910
Engineering const. awards [Eng. News-Rec. 4-wk. daily av. in thous.]....	\$52,412	\$74,814	\$71,247	\$79,115	\$77,877
Electric power [millions of kilowatt-hours].....	10,819	14,191	15,025	15,125	15,162
Crude oil and condensate [daily av., thous. of bbl.].....	6,536	6,771	7,145	7,153	7,118
Bituminous coal [daily av., thous. of tons].....	1,455	1,449	1,462	1,433r	1,475
Paperboard [tons] .....	247,488	327,941	350,512	349,905	355,206

#### Trade

Carloadings: miscellaneous and l.c.l. [daily av., thous. of cars].....	70	61	54	60	60
Carloadings: all others [daily av., thous. of cars].....	47	48	45	47	47
Department store sales index [1947-49=100, not seasonally adjusted]..	121	155	150	164	156
Business failures [Dun & Bradstreet, number].....	198	270	337	341	398

#### Prices

Industrial raw materials, daily index [BLS, 1947-49=100].....	89.2	88.7	91.6	91.6	91.3
Foodstuffs, daily index [BLS, 1947-49=100].....	90.5	75.9	73.8	73.9	74.3
Print cloth [spot and nearby, yd.].....	19.8¢	18.2¢	17.8¢	17.8¢	17.8¢
Finished steel, index [BLS, 1947-49=100].....	143.9	186.2	185.4	185.4	185.4
Scrap steel composite [Iron Age, ton].....	\$36.10	\$29.50	\$39.50	\$38.83	\$37.83
Copper [electrolytic, delivered price, E&MJ, lb.].....	32.39¢	30.00¢	31.00¢	31.00¢	31.00¢
Aluminum, primary pig [U. S. del., E&MJ, lb.].....	20.6¢	26.0¢	24.8¢	24.0¢	24.0¢
Wheat [No. 2, hard and dark hard winter, Kansas City bu.].....	\$2.34	\$1.99	\$2.07	\$2.10	\$2.08
Cotton, daily price [middling, 1 in., 14 designated markets, lb.].....	34.57¢	30.20¢	33.47¢	33.60¢	33.61¢
Wool tops [Boston, lb.].....	\$1.96	\$1.65	\$1.81	\$1.81	\$1.81

#### Finance

500 stocks composite, price index [S&P's, 1941-43=10].....	31.64	53.29	66.35	68.03	68.26
Medium grade corporate bond yield [Baa issue, Moody's].....	3.59%	5.13%	5.12%	5.13%	5.13%
Prime commercial paper, 4 to 6 months, N. Y. City [prevailing rate].....	2-2½%	3½%	3%	3%	3%

#### Banking Millions of dollars

Demand deposits adjusted, reporting member banks.....	††	60,353	62,720	62,189	63,410
Total loans and investments, reporting member banks.....	††	106,972	115,920	116,984	117,777
Commercial, industrial and agricultural loans, reporting member banks...	††	32,834	33,082	33,023	33,168
U. S. gov't guaranteed obligations held, reporting member banks.....	††	28,151	33,181	34,240	34,608
Total federal reserve credit outstanding.....		26,424	28,621	29,517	29,737
Gold stock .....		21,879	18,581	17,451	17,302

#### Monthly figures of the week

Cost of living [U. S. Dept. of Labor BLS, 1947-49 = 100].....	September..	114.6	126.8	128.0	128.3
McGraw-Hill Indexes of New Orders [1950=100]					
New Orders for machinery, except electrical [seasonally adjusted]..	September..	104	174	191	193
Construction & mining machinery.....	September..	111	143	163	151
Engines & turbines.....	September..	106	136	127	133
Metalworking machinery.....	September..	125	205	260	273
Office equipment .....	September..	109	205	238	263
New Orders for machinery for export [1957 = 100].....	September..	††	124	169	161

\* Preliminary, week ended October 21, 1961.

†† Not available. Series revised.

r Revised.

§ Date for 'Latest Week' on each series on request.

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**BUSINESS WEEK October 28, 1961**

## READERS REPORT

### Many women work . . .

Dear Sir:

Your article, "Back from the home to business" [BW Oct. 7 '61, p92], was well written and most timely. May I take issue with one statement in your article where you report that industry doesn't want women? This statement doesn't match up with the fact that there are 22-million women working in America today, and 30% of the married women are drawing pay checks. We want women to work for us—we hire over 75,000 part-time workers each year. We find that they carry their share of the load. . . .

Elmer L. Winter

Manpower, Inc.

Milwaukee, Wis.

■ Though millions of women are working in industry, few of them—as the article pointed out—hold top-level jobs.

### . . . but should they?

Dear Sir:

When I was a young man, women were respected and admired—men fought for the attention of their women. We took off our hats in the elevators, held her coat, opened doors for her, and never dreamed of remaining seated while a lady stood.

Any man who let his wife have a job outside the home was considered the lowest form of humanity—no need to recite here the situation today.

God gave to woman the greatest gift of all, the ability to reproduce a human being with power to think and reason. Women who bear children and rush right back to an outside job are leaving a most important part of the process to chance and missing the opportunity of creating a better world by example. I believe most everyone agrees that the juvenile problem today is a direct result of the mother's indifference to guiding and rearing her children.

Every real man wants to earn the living, but he needs her to make the life worth living. Behind every successful man is a good woman inspiring, tantalizing, and tranquilizing him.

If the American woman doesn't wake up soon, it will be too late and she will find she has lost all respect and admiration by compet-



Camden (N.J.) plant,  
Eastern Division of  
Modern Hard Chrome Service Co., Detroit, Mich.



Uniforms supplied by Pennsylvania Overall Rental Service, Philadelphia, Pa.

## Rental uniforms pass acid test!

Modern Hard Chrome Service Company, originator of the famous Bond-O-Lub plating process, supplies precision plating to such major industries as steel, automotive, aircraft, chemicals and textiles. The strong solutions used (muriatic, sulfuric and chromic acids) posed a serious problem: acid-soaked work garments couldn't be laundered the usual way, had to be replaced weekly.

A rental uniform supplier provided the answer: pants made of Wellington Sears Tri-Fi, pictured above after one year on the job. A blend of Orlon® acrylic, cotton and DuPont 420 nylon, Tri-Fi is engi-

neered to resist corrosive chemicals. Its superior abrasion resistance provides another safety factor—no chance of ragged garments snagging in machinery. And a ready supply of garments which are clean and in good shape helps keep employee morale high.

Rental uniforms may well add these benefits—and more—to your operation. Check your rental uniform supplier for fast, efficient service—he's in the Yellow Pages under Uniform Supply. And remember: for top performance, specify fabrics from Wellington Sears Company, 111 West 40th Street, New York 18.

\*DuPont T.M.

# WELLINGTON SEARS

**FIRST in fabrics for industry**



ing with man and trying to be his equal or better. . . .

S. M. Stanley

Dallas, Texas

### Trio, troika, tripod

Dear Sir:

In your article, "Fate of UN hangs in balance" [BW Sep.23'61, p27], you discuss the Russian proposal for a triumvirate to head the UN's Secretariat, using the Russian term "troika" to introduce the reference to this proposal.

I was irritated and disappointed in your subservience to the Russian terminology in using their word exclusively the six times thereafter that the arrangement was mentioned by name. What is wrong with the traditional word, "triumvirate"? I think it is the word for an English language magazine to use, especially an outstanding American magazine such as Business Week. . . .

J. M. Stokes

Beaumont, Texas

### Stated rights

Dear Sir:

You state that the nation urgently needs a better education bill [BW Oct.7'61,p176], the inference being that this must come in the form of federal aid. . . .

It is evident that states with a true desire to give education its deserved priority have been able to handle the problem effectively, and with little federal help. As an example, California has done an outstanding job. . . .

We suggest the following as a prerequisite and in keeping with traditional American principle:

1. The Federal Government should place more rather than less responsibility for education at state and local levels.

2. To facilitate such a program, the Federal Government through comprehensive tax reform must return to states and localities vast revenue sources which it has mistakenly preempted.

3. The Federal Government must scale down its non-defense activities to include only those activities consonant with this concept "That government governs best which governs least."

4. States, localities, and individuals must reassert those interests and responsibilities which are rightfully theirs.

Morton C. Hull

Oxnard, Calif.

October 28, 1961

## Brighter look in consumer durable goods

Are consumers finally shaking off their cautious mood, which has plagued retailers and bewildered economists for months?

A number of hopeful straws are in the wind these days. They lend support to the growing conviction that the long-awaited upturn in consumer durable goods may be under way at last.

Hardgoods has been the dark spot in retailing for more than a year. Autos, of course, are the main problem. But big-ticket appliances and furniture also haven't shown much liveliness.

Now you can see rays of light on all three fronts.

Auto dealers reported a spurt in new car sales early this month. During the first 10 days of October, dealers sold at a record rate. That feat becomes all the more impressive in view of shortages of many models that resulted from prolonged strikes at assembly plants.

Appliance dealers are cheering the recent pickup in sales of refrigerators, dishwashers, home laundry equipment, and TV and stereo equipment [BW Oct. 21 '61, p33]. Added to this is one more indication of confidence: Manufacturers, apparently encouraged by the slightly improved outlook for retail sales, plan to put through selective price increases in the early part of next year.

Furniture dealers, too, join the ranks of the mildly optimistic.

New furniture is an easily postponed purchase, normally among the first to feel the pinch of a recession and one of the last to enjoy the fruits of recovery. Consumer uncertainty, combined with the slower rate of homebuilding, made this a tough year for furniture.

That's why reports of a revival in furniture sales are bound to raise the spirits of retailers and manufacturers. What's more, they may also spur price boosts on items that have started moving again. Furniture manufacturers—especially those in the South—have been itching to pass along the increased labor costs that resulted from last month's minimum wage hike.

## Final quarter should show bigger upswing

A comeback in consumer durables would give the economy the bounce that was missing from the third quarter.

In the quarter just ended, the economy continued to improve on all fronts—but at a slower rate than in the second quarter. That's the picture given last week by the Council of Economic Advisers.

The nation produced goods and services at an annual rate of \$528-billion from July through September—up \$10-billion from the April-June rate. That's a healthy showing, to be sure. But the rise is still \$6-billion below the sharp increase in the second quarter.

It's a safe bet that the quarter now under way will turn in a more vigorous performance.

Commerce Dept. forecasters peg it at \$540-billion. At that rate, the year as a whole would round out at almost \$521-billion—or more than 3% higher than 1960.

## Business outlook *Continued*

### Consumers save at high rate but spend more

Consumers continued to save in the third quarter at the same high rate as earlier—close to \$26-billion, or 7% of after-tax income. But the entire \$6-billion increase in disposable income was spent on goods and services.

Personal consumption expenditures—more than two-thirds of gross national product—rose to \$342-billion, seasonally adjusted.

Durable goods shared very little in this rise—only \$700-million. Most of the increased spending—\$5.3-billion of it—went for softgoods and services.

Increased outlays for food and clothing swelled the nondurables tally. But this is as much a reflection of population gains as affluence. Consumer spending for nondurables shot up \$2.8-billion to an annual rate of \$157-billion. A year earlier, spending for softgoods dropped \$600-million from the second quarter.

The really remarkable expansion in consumer spending was in services. These have been enlarging their share of the consumer dollar steadily.

During the third quarter, outlays for rent, household operation, travel, medical care, and education rose to a new record—\$142.5-billion annually. The \$2.5-billion increase matched the second quarter's strong showing.

### Private investment steps up smartly

Private investment stepped up to an annual rate of \$73-billion during the third quarter. That sets it about \$4-billion higher than the second-quarter pace, and \$2.5-billion ahead of last year.

The buildup in nonfarm inventories helped a lot to jack up the total. The value of wholesale, retail, and factory stocks increased at a rate of more than \$4-billion a year, against \$2.4-billion in the previous quarter.

More spending for capital goods provided another lift. Investment in producers' durable equipment moved up to a \$26-billion rate during the third quarter—\$1.3-billion higher than the April-June pace.

Construction, too, lent strong support. At an annual rate of \$42.5-billion, fixed investment in new construction ran more than \$2-billion higher than at the same time last year.

### Government spending provides a lift

Government spending continued to play a major role in the economy.

During the third quarter, federal, state, and local government outlays for goods and services mounted to an annual rate of \$108.5-billion. That's an increase of \$1.2-billion over the April-June rate, and \$6.6-billion more than the third quarter in 1960.

However, these gains are by no means the full measure of the increase in total government spending during the period.

When you add transfer payments, foreign aid, interest, subsidies, and grants-in-aid to state and local governments, the total approaches \$151-billion, at an annual rate. And the rise looks more like \$2.3-billion over the second quarter, and \$11.6-billion over last year.

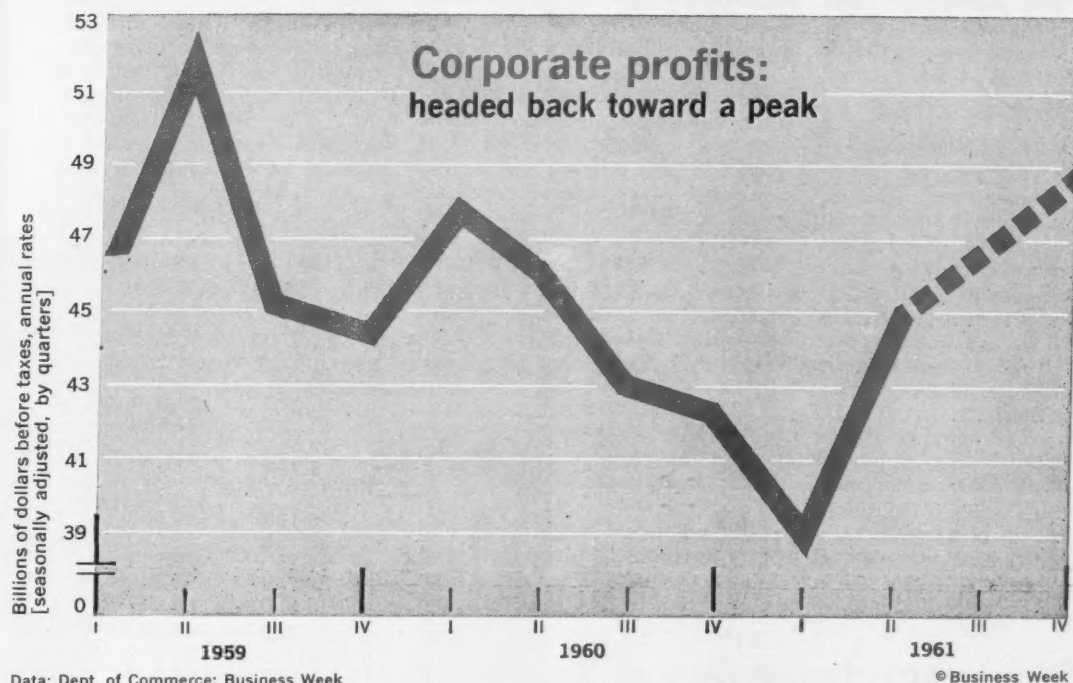
Outlays for national defense rose \$100-million to a rate of \$49-billion a year. At the same time last year, the rate of defense spending was \$45.4-billion.

The nation's fading trade surplus is mirrored in the international accounts for the third quarter.

Net exports of goods and services—the margin over imports—declined for the third consecutive quarter.

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# A hopeful third quarter

**Earnings reflect the spottiness of recovery, but they top the 1960 period and the second quarter. If they pick up steam, the final quarter may hit a rate of \$49-billion**

**Corporate profits** in the third quarter were not all they were cracked up to be, but they were headed in the right direction (chart).

The reports reflect the spotty business recovery. Earnings were hampered by a slowdown in industrial production and the existence of excess capacity, which meant a continued squeeze on profit margins. It's only natural for the third quarter to show a seasonal lag, but the past three months were an obvious disappointment to businessmen who expected earnings to maintain the momentum of the vigorous pickup in the second quarter (chart).

Still, third-quarter pretax profits probably managed by a good margin to top the second quarter's \$45.2-billion, seasonally adjusted at annual rates. They'll be close to \$47-billion, which is comfortably above 1960's third-quarter level, when the recession cut into profits somewhat deeply.

If the fourth quarter picks up new steam, profits should reach an annual rate of \$49-billion or better. Thus, 1961 profits over-all should turn out to be at least the second best on record, slightly topping last year's \$45-billion but not matching the \$46.8-billion recorded in 1959. And

the prospect is for new peaks in earnings in 1962.

**Tight purse strings.** Government economists and businessmen agree that the consumer holds the key to these optimistic predictions. Up to now, he has been a little tight-fisted, but if he unlooses his purse strings, current estimates of future profits will be easily met.

If the slowing down of the recovery is just a pause and if consumers and business start spending heavily, profits could jump significantly. And at present this seems the most likely bet.

**Pinched margins.** Businessmen,

however, are deeply concerned about what they see as a continuing pinch on profit margins. U. S. Steel Corp. Chmn. Roger M. Blough, speaking before the Business Council last week, reflected the sentiment of many executives when he noted that returns to industry on sales are "alarmingly low, alarmingly low" (page 34). Other businessmen at the

meeting echoed this view, called for something to be done about "rising wages and other costs."

There was good reason for the spottiness of third-quarter earnings (table). Strikes and disruptions hit the auto makers; steel production tailed off; weakness in industrial prices continued to afflict a broad group of industries, and many com-

panies reported a "poorer September than we expected." These factors contributed to the slowdown in the over-all rise in profits.

**Disappointment.** It's now clear that profits are climbing at a slower pace than either Wall Street or Washington had expected. This is disappointing to the Administration, which is looking to balance the

## Third-quarter earnings

	Three months net			Nine months net		
	1960	1961	% change	1960	1961	% change
[thousands of dollars]						
Allegheny Ludlum	\$ 648	\$ 2,487	+283.8	\$ 6,180	\$ 6,780	+ 9.7
Alcoa	8,553	9,400	+ 9.9	30,280	29,341	- 3.1
Allied Chemical	10,657	10,351	- 2.9	41,541	36,011	-13.3
Allis-Chalmers	1,251	d1,577	...	9,032	3,182	-64.8
American Airlines	4,478	1,688	- 62.3	7,909	4,228	-46.5
American Cyanamid	8,533	11,098	+ 30.1	36,970	34,829	- 5.8
Armco Steel	11,694	14,513	+ 24.1	53,427	37,690	-29.5
Atlantic Refining	10,488	10,050	- 4.2	27,405	31,699	+15.7
Beech-Nut Life Savers	2,339	2,595	+ 10.9	5,994	7,103	+18.5
Bell & Howell	1,626	1,695	+ 4.2	3,501	2,614	-25.3
Burroughs	1,154	2,315	+100.6	6,198	5,500	-11.3
Caterpillar Tractor	12,379	16,591	+ 34.0	32,758	43,850	+33.9
Container Corp.	4,246	4,092	- 3.6	14,230	12,938	- 9.1
Continental Can	10,557	15,423	+ 46.1	23,748	30,543	+28.6
Crane Co.	2,062	2,284	+ 10.8	3,510	4,337	+23.6
Douglass	d13,100	1,261	...	d21,868	4,486	...
Eastman Kodak	32,760	33,765	+ 3.1	87,719	83,303	- 5.0
General Electric	57,506	57,516	...	168,935	150,994	-10.6
General Motors	89,000	88,000	- 1.1	701,000	528,000	-24.7
Gillette	9,480	12,386	+ 30.7	26,696	32,100	+20.2
Goodrich, B. F.	5,945	8,005	+ 34.7	24,122	23,078	- 4.3
Ideal Cement	4,100	4,972	+ 21.3	11,255	12,448	+10.6
Intl. Bus. Machines	42,471	52,029	+ 22.5	119,088	152,888	+28.4
Johns-Manville	7,582	7,603	+ 0.3	21,092	17,987	-14.7
Jones & Laughlin	3,483	10,102	+190.3	29,619	21,929	-26.0
Libbey-Owens-Ford	6,300	6,167	- 2.1	31,825	23,084	-27.5
Lorillard	6,935	7,258	+ 4.7	19,624	20,594	+ 4.9
Magma Copper	3,126	2,618	- 16.3	5,803	6,811	+17.4
Minneapolis-Honeywell	6,375	\$6,054	- 5.0	18,359	16,312	-11.1
Monsanto	15,373	15,545	+ 1.1	53,736	50,132	- 6.7
National Steel	8,061	7,010	- 13.0	35,362	23,174	-34.5
Peabody Coal	2,381	2,554	+ 7.3	8,247	8,795	+ 6.6
Polaroid	1,619	2,233	+ 37.9	5,690	3,427	-39.8
Radio Corp. of America	6,000	6,200	+ 3.3	24,100	23,800	- 1.2
Rayonier	2,080	1,984	- 4.6	7,940	5,717	-28.0
Raytheon	1,952	1,838	- 5.8	6,139	4,847	-21.0
Republic Steel	7,310	12,703	+ 73.8	48,719	33,956	-30.3
Reynolds, R. J.	26,961	31,885	+ 18.3	75,984	88,884	+17.0
Rohm & Haas	4,696	4,647	- 1.0	16,952	14,396	-15.1
Schering Corp.	3,182	3,546	+ 11.4	7,149	7,209	+ 0.8
Scott Paper	6,431	6,796	+ 5.7	19,833	20,755	+ 4.6
Smith, Kline & French	6,315	6,995	+ 10.8	18,461	21,100	+14.3
Studebaker-Packard	d3,255	d1,443	...	105	d10,283	...
Texas Gulf Sulphur	3,430	2,938	- 14.3	9,558	8,979	- 6.1
Union Bag-Camp Paper	4,322	3,790	- 12.3	14,540	12,043	-17.2
Union Carbide	36,235	35,175	- 2.9	117,427	104,570	-10.9
Upjohn	6,941	6,781	- 2.3	17,451	16,836	- 3.5
Westinghouse	20,226	5,451	- 73.0	60,680	25,012	-58.8
Wrigley, Wm. Jr.	3,103	3,423	+ 10.3	7,818	9,034	+15.6
Youngstown Sheet & Tube	2,677	5,147	+ 92.3	21,566	*15,990	-25.9

\* includes \$3.6-million non-recurring credit

† quarter ending August 31

‡ after preference dividends.

d deficit

budget next year, and to businessmen, who seek increased cash flow for new capital spending.

Second-quarter profits jumped some 14% over first-quarter results, but the third-quarter rise was not so great—largely because profit margins haven't improved as dramatically as they have in past business recoveries.

To be sure, many companies have been successful in cost control and are now benefiting from an upturn in sales volume. However, the softness in industrial prices is still exerting pressure on profit margins, and many corporations see no sign of a letup in this squeeze.

**Industry experience.** Allis-Chalmers Mfg. Co., for instance, reported a third-quarter loss of \$1.6-million, attributed to "unrealistically low prices" and the "cost squeeze on profits." In order to boost profit margins, the company is pursuing a severe cost-cutting program—white-collar salaries have been cut 5% to 25% [BW Oct. 7 '61, p42].

Oil company profits also suffered from one of the roughest gasoline price wars they've ever experienced. Atlantic Refining Co. said that, because of softness in gasoline prices, it did not anticipate any large increase in profits for 1961. Plymouth Oil Co. said it had lost money in each of the past three months—enough, in fact, to wipe out about all the net it had earned in the first six months.

Weakness in paper product prices also hit most paper companies, although a few were able to buck the trend. Union Bag-Camp Paper Corp. reported net income in the third quarter slipped to \$3.8-million from the \$4.3-million of a year earlier. But the outlook is more favorable, according to industry spokesmen. St. Regis Paper Co., for one, says that in several divisions of the company, prices have been firming.

Capital goods industries also were hurt by disappointing sales. Yale & Towne Mfg. Co. reported third-quarter sales slipped to about \$32-million from \$41-million a year ago. Smith W. Storey, president of General Portland Cement Co., said "an expected improvement in demand failed to materialize." Glass makers were hurt by seasonal model changeovers in the auto industry, and chemical companies generally were also affected by sluggish sales.

**Uphill fight.** Where gains in sales were made by big companies, they generally were small ones, and the companies weren't able to generate any significant profits from the increase. Eastman Kodak Co.'s sales, for instance, were about 2% higher

—earnings were only 3% ahead of a year ago.

These soft spots—in sales, industrial prices, and profit margins—are indeed troublesome, and they cloud the business outlook. But businessmen feel that the fourth quarter will provide a lift. Optimism stems from the rise of new manufacturing orders, helped by defense procurement, as well as from the increase in buying power released by the record flow of personal income.

**Better prospects.** Du Pont, among others, reports its earnings prospects are a lot brighter than they were a few months ago. The company says October's sales have been strong, and it now thinks earnings for the full year will exceed 1960 by a slight margin.

Reynolds Metals Co. also says orders are coming in at the best level of the year, which should reduce the excess of capacity and thus boost profit margins. Burroughs Corp., which reported a doubling of its third-quarter net, adds that its incoming orders indicate still heavier billings for the period ahead.

Continued improvement in profits also is expected from consumer goods companies—although the

weakness in retail sales is holding some of them back. Most tobacco companies report healthy gains in sales and earnings, as do companies in cosmetics and food lines.

And, for the first time in quite a while, there should be new strength in some of the electronics companies that have been hit hard by competitive price-cutting and a slowdown in defense contracts. A number of them report increased backlogs, which could be translated into higher profits in the fourth quarter.

**Tone in steel.** Steelmakers take a more cautious tone. Copperweld Steel Co., for instance, deferred action on its dividend until it could better evaluate the fourth quarter's progress. And Joseph L. Block, chairman of Inland Steel Co., says that fourth-quarter demand for steel mill products has not been quite so strong as anticipated.

However, Inland and a number of other steel companies have been able to improve their profit margins lately, and any increase in volume could boost profits substantially. For example, Inland's sales fell 1½% from the second quarter, yet earnings were up more than 6%.

## All pleas in criminal case won't count in civil action

**That is pretrial ruling in 34 Pennsylvania civil suits against electrical equipment manufacturers whose criminal cases wound up last February**

**Pretrial skirmishing** in U. S. District Court, Philadelphia, this week narrowed the issues in 34 civil damage suits filed in Pennsylvania against electrical equipment manufacturers who last February pleaded guilty or no contest to charges of price-fixing and conspiracy to restrain trade.

Before adjourning the pretrial hearings to Nov. 8, Judge William H. Kirkpatrick issued a ruling that could be important to the defendant manufacturers, who face possible claims of millions of dollars in similar suits all over the country. The court held that pleas of no contest in the criminal proceedings cannot be cited as admissions of wrong-doing with a bearing on the civil suits. The question of whether or not guilty pleas can be cited remains open.

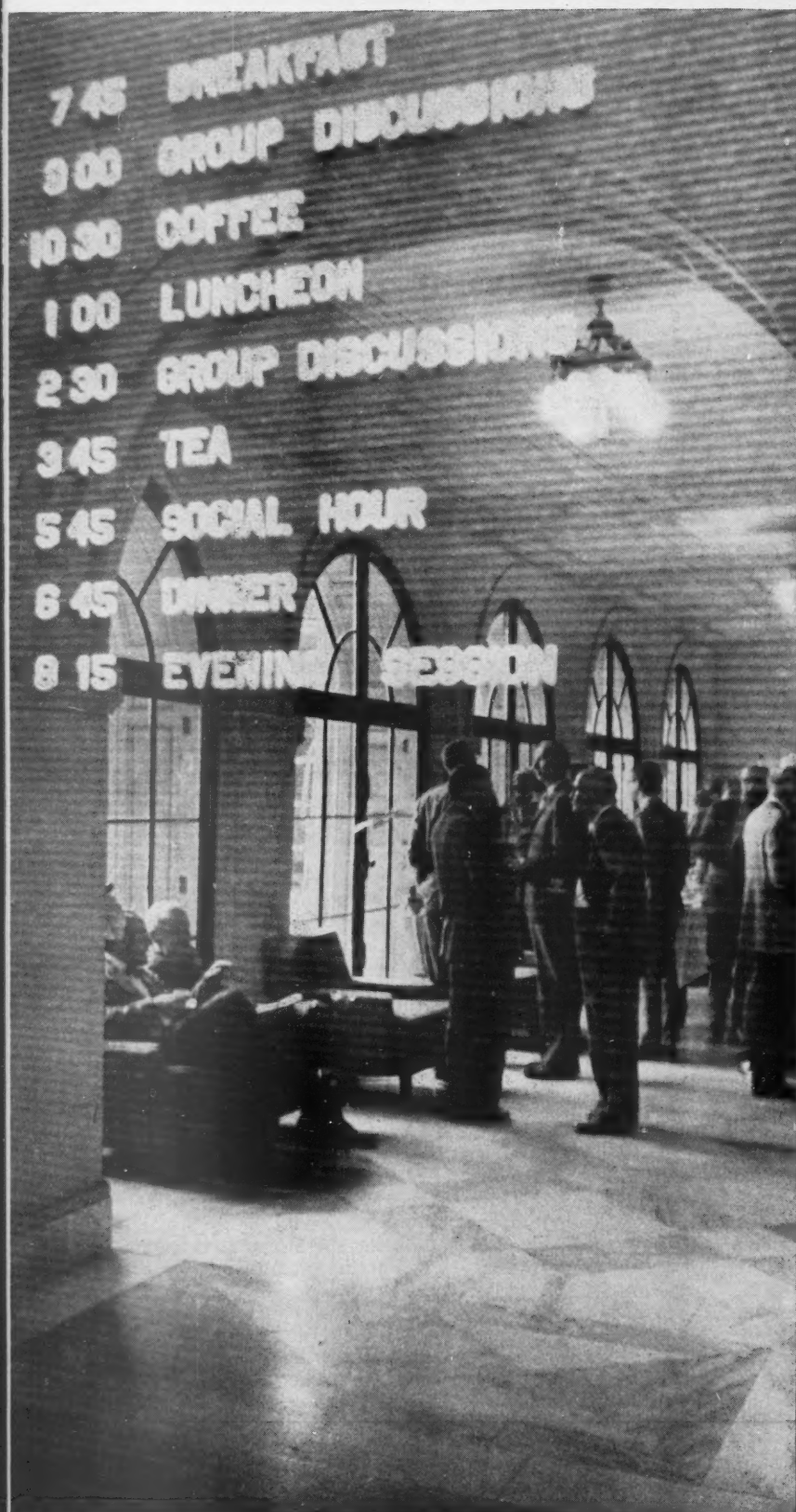
Defense attorneys argued that

both guilty and no contest pleas had been made with "important qualifications," did not constitute admission of guilt to every count in every indictment, and were entered by arrangement with the Justice Dept. for the purpose of ending litigation.

**For the plaintiffs.** Judge Kirkpatrick upheld Philadelphia Electric Co.'s right to file a consolidated suit on behalf of itself and 24 other Pennsylvania utilities, although defense lawyers argued that this would lead to "a monstrous judicial tangle." The company said many smaller utilities could not afford to file separate suits.

On the other hand, Judge Kirkpatrick ruled that the Pennsylvania Public Utilities Commission doesn't qualify as an injured party and cannot intervene as a plaintiff in behalf of consumers.





**Intellectual coffee break** carries over from formal sessions the intense discussion of U. S. space programs by 65 top business, scientific, military, and political leaders at American Assembly's three-day meeting at Arden House, Harriman, N. Y.



**Rep. James G. Fulton (R-Pa.)** sees total space spending, civilian and military, rising to \$8-billion a year by 1965.

#### American Assembly

## Boost for big space program

**Conference of leaders in many fields backs doubled NASA funds, moon shot, industry role**

**Civilian** and military leaders of the U. S. space program this week bid for—and got—support for a sharply stepped-up space effort from the American Assembly, a high-level discussion group founded by former Pres. Dwight D. Eisenhower when he was president of Columbia University.

Following three days of intense discussion and debate at Arden House, in Harriman, N. Y. (pictures), the assembly—composed of 65 top business, scientific, military, and political leaders—came to this conclusion: The U. S. has the capacity “to support its space activities and at the same time to maintain a proper balance with other programs in our national interest.”

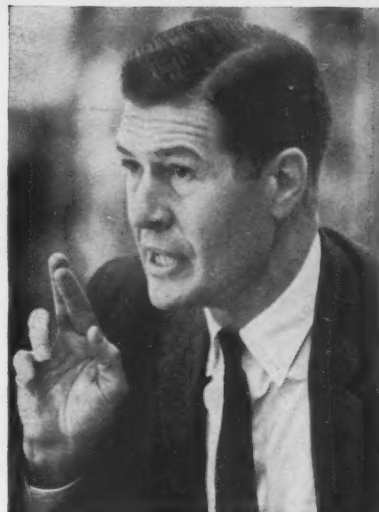
The assembly added that the nation must “become accustomed” to



**Amrom H. Katz**, RAND Corp. physicist and observation satellite expert, raises tough questions to keep talk realistic.



**Maj. Gen. David A. Burchinal**, specialist in long-range space planning, takes main Air Force role in assembly debates.



**John A. Johnson**, NASA general counsel, tells of NASA civilian space programs, weighs international problems.

sustain the space effort for a long time to come.

**Money.** This 20th American Assembly went beyond such generalities, and bought a fairly specific figure for the National Aeronautics & Space Administration's budget for the next fiscal year. The group concluded that NASA's budget for fiscal 1963, starting next July, should be "on the order of \$3.5-billion," and might be higher in succeeding years.

Recognizing that NASA's program is only a part of the total space effort, the group said "there will also be a continuing requirement for support of a substantial space program in the Dept. of Defense." The assembly sought to avoid the implication that it was simply buying a Kennedy Administration program by adding, "We are pleased that our space programs have wide bipartisan support in the Congress."

**Climbing.** The biggest push for the \$3.5-billion figure for NASA came from Rep. James G. Fulton (R-Pa.) (picture, page 28), a member of the House Science & Astronautics Committee. His line was backed by Rep. Emilio Q. Daddario, (D-Conn.) (picture, page 30), also a member of the committee.

Rep. Fulton told Business Week he figured combined NASA-Defense Dept. space spending in fiscal 1963 would be \$5-billion to \$6-billion, with defense outlays adding the extra \$1.5-billion to \$2.5-billion. This, however, is only for programs specifically labeled "space." Some analysts put total defense outlays on space in the current fiscal year—including facilities used jointly for missile programs—at \$2.3-billion,

rather than the \$1.2-billion charged up to space in the budget.

Rep. Fulton saw total civilian and defense space spending climbing to an annual \$8-billion rate by 1965.

Earlier estimates of \$50-billion total space outlays in the decade ahead [BW Aug. 19'61, p74] now begin to look too conservative. Some scientists and engineers at Arden House thought the tremendously complex tasks involved in such future programs as lunar exploration might shove 10-year costs far above present estimates. A total civilian and military outlay of \$100-billion in the coming decade must now be taken as a serious possibility.

**Speedup.** In the civilian area—which more and more overlaps the military in space—NASA administrator James E. Webb told the assembly that NASA is now making plans to do in 10 years what it had earlier expected to do in 15. This acceleration is urgent, he said, unless the U.S. is willing to see the Russians, "with the advantages of their advanced position in booster thrust, stay continuously ahead."

Costs of the speeded-up program, said Webb "will very probably be less than if it were stretched over 15 years," while benefits will be "immeasurably greater." Webb gave no hard figure, but he thought the 10-year bill would be "no more than two-thirds of the present cost of one year of our current military programs." Privately, Webb is using a rough figure of \$35-billion for the 10-year NASA total.

For the next fiscal year, he thought NASA's budget would "almost double" its current \$1.7-billion. That

would give approximately the \$3.5-billion figure urged by Rep. Fulton and the assembly.

**Military goals.** The military—represented at Arden House by such top space planners as Gen. Bernard A. Schriever and Maj. Gen. David A. Burchinal (picture) of the Air Force—gave no budget goals. But they made clear, as Gen. Schriever had done at last week's American Rocket Society meeting in New York [BW Oct. 21'61, p128], that the Air Force is setting its sights on a markedly bigger space effort.

Air Force officers and scientists both are skeptical of such notions as establishing bombardment bases on the moon. The experts scoffed at the contention of New Zealand's Sir Leslie Munro, former president of the U.N. General Assembly, in an address to the group, that "he who controls the moon controls the earth."

Nevertheless, both military experts and arms controls specialists—such as MIT's Donald C. Brennan—see many practical military uses of space, in air and missile defense, communications, navigation, and reconnaissance.

**Nonnuclear.** The Air Force men did not try to make a case for putting nuclear bombs into space. The arms control experts made a strong case against doing that now. The assembly went along with the arms controllers' position. It declared that "our government should make additional efforts to seek safeguarded agreements banning weapons of mass destruction in space before they become accomplished facts."

At the same time, the assembly



Rep. Emilio Q. Daddario (D-Conn.), one of small Congressional contingent, backs big boost for NASA in next budget.

urged the U.S. "to strengthen research and development in support of an effective military space capability."

**Civilian emphasis.** Any conflicts between the government's military and civilian space leaders were restrained during the conference. The assembly observed that all space applications come from a common scientific base, and could be applied to military or nonmilitary uses.

On balance, the assembly found the government's decision favoring civilian emphasis in the administration of the nation's space program to be sound: "It neither impinges on nor reduces the importance of our military programs."

The group called, however, for "additional improvement" in civil-military liaison.

It added some cautions about the impact of the space programs on the nation's limited scientific resources. Space programs, it warned, might create manpower shortages at very high levels, and the government ought to plan ahead "to avoid depriving other areas of leadership." The group foresaw a greatly increased need for improving the level and quality of U.S. scientific and technical education.

**Man on the moon.** The assembly gave its support to the Kennedy Administration's decision for a manned lunar expedition—but as one step in a continuous program for the scientific exploration of the solar system. It cautioned against "excessive focus" on the moon shot as "either a definitive test of relative Soviet and American capabilities, or as a scientific or technical end in itself."

Some scientists, nervous about staking too much U.S. prestige on the highly advertised man-on-the-moon project, asked: "How do we get him back?"

"First things first," was the reply of RAND Corp. physicist Amrom H. Katz (picture, page 29).

The conference called for better space planning, and longer-range planning. Just as space technology has its own lead times, better ways must be found, it said, to anticipate the political, social, and economic effects of space technology.

There ought to be "far more attention . . . to planning" by government, business, universities, and research organizations, the group concluded.

**Industry role.** Despite the emphasis on government planning, the assembly urged for private enterprise the greatest possible role in space. It concluded, however, that in playing a key role in research, development, and production of space systems, U.S. business and industry would have to operate under government direction. And it would have to depend mainly on government financial support.

The conference noted the development of a wide variety of contractual arrangements for private corporate participation. It urged the government, under such arrangements to "make maximum use of private institutions to advance the public interest."

In the most important area of immediate commercial interest—communications satellites—some conferees took this to mean that ownership of the satellites should remain with the government, with private companies building and operating them on government contract. The assembly as such did not declare itself on that question.

It merely emphasized the need to set up "a practical system of communications satellites at the earliest possible date." And it supported "our government policy, which favors private operations, provided they meet the goals and standards set forth in that policy."

**Cold war and culture.** The assembly agreed that the key reason for a huge space program is its relation to the cold war—or possibly to a hot one. But in a concluding passage it added that "not the least of the motives impelling us will be the human and cultural values involved in pursuing the high goals of knowledge about our origins and our destiny." Dean Don K. Price, Jr., of Harvard's Graduate School of Public Administration, suggested amending that to read, "not the least but almost the least."

## New IRS system

# Computers take over tax audit

Electronic data system will affect business reporting, filing methods

More than 500 corporate and accounting firm executives concerned with computerized data packed a Washington auditorium this week to hear government officials (picture) describe the Internal Revenue Service's plans to automate its tax collecting system. IRS says the new system, which goes into effect on a limited basis next year, will be the greatest change in federal tax collecting since the adoption of the withholding system. In some ways, it is even more revolutionary.

**New data center.** What IRS is undertaking is the collection and storage, on electronic tape, of billions of bits of information on the nation's individual and corporate taxpayers. It already has completed a computer center at Martinsburg, W. Va., which will become the central repository for the data that will be combed out of the 90-million tax returns and 340-million information returns that are received annually by IRS offices.

For the first time, IRS will have the means to match the information returns—on wages, dividend and interest payments, and the like—with income reports on tax returns.

IRS' great electronic leap forward has been made possible by the development of the electronic computer art and by an act of Congress this year permitting it to assign numbers to all individuals and corporations making returns.

**Studying the possibilities.** The executives attending the Washington conference came to hear about the effects of the new system on corporate reporting of withholding and social security taxes, dividend and interest payments, accounting practices required to back up computerized data, conversion of alphabetical lists of employees, stockholders, and





**Business** executives meeting in Washington get briefing from Treasury Secy. Douglas Dillon on IRS' new automated tax collecting system.

bondholders to individually numbered accounts.

They also wanted to know whether the government's willingness to accept taped information in place of paper forms on these reports, as well as on their own corporate tax filings, could be adapted to their electronic computing systems at a saving in time and money.

IRS didn't have all the answers, but its officials sketched enough of the picture to send most of the executives away in a mood to look deeply into the possibilities opened up by automatic data processing of the paper-form information that business currently supplies to the agency.

For business, one fact loomed large. Big companies with computerized accounting systems will be able to obtain IRS approval to supply data on tapes—some already handle social security reports this way. And smaller concerns can avail themselves of this economy by renting time on computers. IRS is willing to convert this taped information to reels compatible with its own system (leased from IBM) provided that its investment in electronic converters compares favorably with its cost of handling paperwork under the present manual or punchcard methods.

**Two master files.** The basic ingredients of the new system are the files of taxpayer accounts at the National Computer Center at Martinsburg. These will consolidate in one place all the different transactions pertaining to each taxpayer. There will be two master files—one for business, the other for individuals—with cross-reference possible between them.

Each individual filing a return will use his Social Security number, and

each corporation its employer identification number. Individuals and corporations not having a number will be assigned one.

**Advantages.** By having all the data on taxpayers in one place and readily accessible through the new number system, IRS can systematically check on failure of individuals or companies to file returns. It can determine whether a taxpayer owes taxes for a prior year before paying out a claimed refund on his current return, detect duplicate claims for refund, do a much better job of matching up data on information returns with the figures reported on tax returns. And giving as well as taking away, it can remind taxpayers of prior year credits or extra allowances they have forgotten to claim.

**How it works.** The taxpayer will continue to file his return as he always has with the district director in his home community. After checking the returns for such things as name and address, account number, and signature, and depositing any money in the bank, the district office will send the returns to the regional service center. The regional centers will transcribe the information on the returns first to punch cards and then to magnetic tape. In doing this, any arithmetical errors automatically will be detected. The tape then goes to Martinsburg.

At Martinsburg, the incoming transaction tapes will be run against a master file and the master file updated. The center then will produce various output tapes. One of these will represent the refunds that are due. These tapes then go to the disbursing office where they serve as input tapes for equipment used to prepare and issue refund checks.

Other output tapes will be returned to the regional service cen-

ters for preparation of bills, inquiry letters, other notices for various purposes. Electronic handling of the data is expected to assure proper applications of taxpayer payments or credits with a minimum of erroneous billings.

**Fewer interviews.** Taxpayers receiving bills, inquiries, or other notices will continue to deal with their own district offices. But the new system, by enabling IRS to do a better job of determining which returns should be selected for detailed audit, should eliminate unnecessary annual interviews by taxpayers with the local IRS officers for explanation of items previously accepted.

All in all, the new system is expected to save the government millions of dollars in handling costs and capture federal revenues now lost through error or fraud.

**Timetable.** The new system goes into effect immediately—but a little at a time. The Martinsburg center already has started to process identity tapes. And Atlanta has been selected as the first regional service center to be adapted to the new system [BW Oct. 7 '61, p. 45]. After that, two or three of the nine regions will be scheduled for conversion each year over the next few years. The complete shift to automated tax collecting will take from seven to 10 years.

In each of the regional centers, the workload will be phased in over a three-year cycle, beginning with selected business returns, including corporation income tax returns, excise tax returns, and social security and withholding tax returns. The second year, the centers will take on selected individual tax returns. The balance of the job will be completed in the third year.

**Long-term implications.** Once the new electronic tax collecting system goes wholly into effect the government will have the information required to build a tax system more completely founded on "ability to pay"; less regard will have to be paid to the cost or difficulty of collecting a given tax. It would become more practical, for example, to ask banks to supply information on interest paid individuals, since this could be cross-checked with income reports filed by individuals.

Another possibility opened up by the new system is greater coordination between the federal government and states on matching tax returns. Ten states already have agreements with IRS for this purpose. Electronic tape data makes coordination more feasible, and IRS expects that virtually all of the states eventually will cooperate.



**Keeping baby busy.** This orbiting baby minder, called "Roun' Wee Go," is made by Foxcraft Products Corp. The idea: to keep the infant occupied while adults do chores.

"Electra City, U. S. A."

## Big time for button-pushers

Electrical appliance show at New York's Coliseum invites the customers to try out everything

The customer with the itchy button-pushing finger had his innings this week at the second annual "Electra City, U.S.A." show at New York's Coliseum. Despite its high-sounding title, this is meant to be a fun show for ticket buyers. Most of the 100 exhibitors display their products with a notable absence of "don't touch" signs and restraining velvet cords; visitors are actually invited to "try everything."

This is precisely what many thousands did with the well over 200 electrical appliances on display, many of them for the first time. The items ranged in size from an electronic space kitchen to a vegetable peeler billed as the world's fastest.

People lolled on vibrating contour couches, watched a 4½-ft. image projected by a German TV receiver, and tried out a telephone attachment that dials numbers automatically.

**Clocking junior.** "Several years of research," said the exhibitor of

Roka-Bed Corp. of Dallas, "show that if a baby wakes up at night its sleep is interrupted an average 3 min., 48 sec. This crib will rock him automatically for precisely 3 min., 52 sec. after the microphone in the headboard picks up the baby's first cry." In similar vein, the "Roun' Wee Go" soothes a baby by putting him in a very slow and peaceful orbit in a machine faintly reminiscent of the centrifuge used to train pilots.

A \$70 rack-type clothes drier was described by New York's Hammacher Schlemmer store as a boon to apartment dwellers because it needs only ordinary city household current and can be folded when not in use.

Elsewhere on the Coliseum floor were a 47-ft. mobile home, the newest Hammond organs, the new portable dishwashers of Ling-Temco Electronics Co. Like many another show that's done for fun, including county fairs, the biggest crowds

were drawn by hawkers, explaining and extolling perhaps the virtues of a kitchen vegetable chopper, or of a blender with a new motion.

"Electra City, U.S.A." is produced by Harold R. Meyer, president of Electric Living Shows, Inc. Meyer says this week's public display will give the appliance business a small shot in the arm. Of the \$8-billion spent each year on appliances, he says, nearly 12% is spent in metropolitan New York; that's why "Electra City, U.S.A." was staged at the Coliseum.

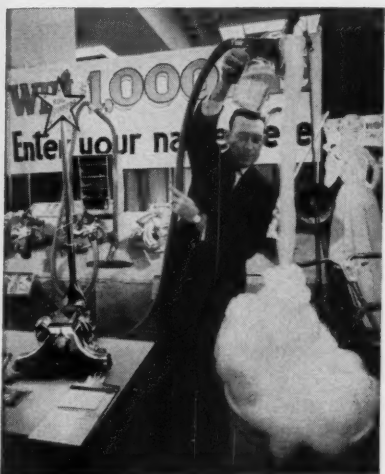
Meyer also thinks that although many of the products on display can be seen in stores, "people just don't get a demonstration." As for the exhibitors—many of whose products were no longer salable after the week of handling, squeezing, pushing, pulling, and hauling—nearly all came for three reasons. Said one, "I get product exposure, sales, and contact with new dealers."



**Home massage unit** made a hit with visitors to Coliseum show, with a dozen units ready to be used. It's called Vibratone, is made by R. A. Fischer & Co.



**Battery-run toothbrush** was shown by Hammacher Schlemmer store, which also had powered carving knife.



**Multipurpose cleaner**, made by Kirby Home Sanitation Systems, is also a power tool, moth killer, spray gun, etc.



**Portable clothes drier** made by Frantz Electric Industries folds for storage, runs on ordinary apartment voltage.

# Lots of flu vaccine, but it's all in hiding

**Industry has boosted output manyfold to prepare for threatened outbreak—yet doctors are short. Drug men think it's in supply houses, medical departments**

The mystery of the disappearing flu vaccine unfolded across the U.S. last week, promising to get more rather than less mysterious as time goes on. The question puzzling everyone—drug makers, health officers, suppliers, doctors, and people just looking for a shot—was, "Where did it all go?"

As far back as last February, the drug industry initiated production plans based not only on past sales, but on the expectation that 1961 would be a double-barreled year. Unhappily, both Asian and Type "B" strains of influenza, which usually come around in separate years, are due to arrive together this time. Both are dangerous types.

In Pearl River, N. Y., Lederle Laboratories increased production over other years by 25%. Merck, Sharp & Dohme set out to produce four times more than their sales projections told them they could sell. National Drug Co. planned a production increase of 50% over last year. Eli Lilly & Co. set a production budget 120% higher than last year.

But nearly all these goals had to be revised. Lederle sold out by August, had to add 20%. National Drug Co. is in continuous production.

**Vanishing.** For all this effort, in the little village of Garrison, N. Y., last week a doctor was telling a patient his supply was exhausted. It was no stray report. In New York City, Dr. Harold Fuerst, director of the Health Dept.'s Bureau of Preventable Diseases, says physicians can't stock up enough vaccine to be prepared for a large outbreak of flu.

In Indianapolis, Lilly, after doubling, tripling, then quadrupling production, says "we still can't keep up with demand." Pitman-Moore Co., also of Indianapolis, has been out of vaccine for weeks.

**Answers.** "Where is the vaccine?" Public officials and drug companies propose two answers:

▪ The population literally has soaked up supplies since last sum-

mer, when the U.S. Surgeon General's office urged widespread vaccination, especially for pregnant women, the aged, and those with chronic diseases. Drug companies, however, don't believe demand was enough to make supplies disappear.

▪ The vaccine has gone into store-rooms of wholesale supply houses, government health departments, industry medical departments. T. E. Ersly, National Drug vice-president and general manager, calls it a "maldistribution" resulting in stockpiling, often by companies that plan to vaccinate employees.

**Quandary.** The situation is making life ticklish in the drug business, for several reasons. Vaccine can be returned for credit or refund if not used. It has a shelf life of only 18 months. And there's no proof yet a major flu outbreak will occur.

One producer says this puts him "behind the eight-ball." Though he is already convinced he has over-produced because of an "iffy" prediction made early this year that the U.S. faces a major flu outbreak, the disappearing supplies of vaccine create pressure to produce even more. If the outbreak doesn't come he feels he is certain to be inundated with vaccine returns and refund requests. The question, since he doesn't want to take a financial beating: Does he produce even more and hope there's an epidemic? Or wait for an outbreak, then speed production?

His problem stems from the deal permitting vaccine returns and refunds, granted by distributors and producers to druggists and doctors. Since industrial medical departments are headed by doctors, they qualify, too.

One countermove: Merck, Sharp & Dohme recently told its salesmen not to take orders from industrial companies on a return basis. It's a move to relieve pressure, perhaps even help solve the disappearing vaccine mystery.



# Business regains the government's ear

Participants at last week's meeting of the Business Council see signs that the rift is beginning to heal, top Administration officers turn up for the sessions

**Top business executives**, shut off from contact with the government's inner economic circle only a few months ago, are back again. Not only that, they feel that Kennedy Administration economists finally are listening to them, taking their advice, and, in some cases, beginning to "make sense."

Certainly the coolness between businessmen and the Administration warmed up a bit more last weekend at rain-swept Hot Springs, Va., where more than 100 top business executives of what is now called the Business Council held their regular fall get-together.

On the Administration's part, top Kennedy aides accepted invitations to talk at private sessions—among them Treasury Secy. Douglas Dillon and Under Secy. Henry H. Fowler, economic adviser Walter W. Heller, Under Secy. of Defense Roswell L. Gilpatric, and new foreign aid chief Fowler Hamilton.

On the business side, Council Chmn. Roger M. Blough, chairman of U. S. Steel Corp., and Frederick R. Kappel, chairman of AT&T, had favorable comments on the Administration's professed intentions on such key business issues as wages and profits.

**Friends again.** It is clear that Blough and his business associates managed with complete success the Council's split with the Commerce Dept. and Secy. Luther H. Hodges. This began earlier this year when Hodges wanted to put more government and less business into the "Business Advisory Council," which had enjoyed a special connection with the Commerce Dept. since Franklin D. Roosevelt's day.

Privately, Council members are still about as skeptical as before about the "let's be friends" sweet talk of the Administration. For instance, they want to do all they can to keep the spotlight on Pres. Kennedy's handling of wage demands of the steelworkers next summer.

Then, they think, it will be up to the President to "fish or cut bait," and they aren't hopeful.

Regardless of this, Council members support Blough in his quiet underscoring of the willingness of Council members to be of use to their government, regardless of the political faith of the occupant of the White House.

**Different tone.** Both Blough and Kappel—who is chairman of the Council's Committee on the Domestic Economy—went out of their way to indicate they had seen signs of a changed tone from Administration officials discussing economic policies.

At a press briefing following Heller's presentation, Blough was asked about the outlook for stable prices during the months ahead—which Kennedy has been trying to achieve by using all the prestige and persuasive pressures of the White House.

"Costs are going up and profits are coming down," Blough said. "Manufacturing industry is facing a serious problem. I don't know the effect on price stability." He said you have to think in terms of "cost stability" if you want to have "price stability." Blough added, "more and more people in Washington are understanding the necessities of staying in business."

**Tax aid.** Asked about the effectiveness of the Administration's decision to parcel out faster tax write-offs through a revision of Bulletin F [BW Oct. 14 '61, p22], Blough said it was his "personal opinion" that the liberalized depreciation changes "are on the helpful side" in the absence of "more adequate proposals." Blough and the steel industry have long favored depreciation write-offs keyed to replacement costs.

Blough stressed that if you look at the percentage of gross national product in the U. S. going into profits over the past few years—as compared to the much higher percent-



**Roger M. Blough**, chairman of the Business Council, says more people in Washington "are understanding the necessities of staying in business."

ages in Belgium, France, Germany—"you will understand what is really wrong with our balance of payments and the U. S. economy." Top Administration officials privately have been promoting this same line.

Depreciation reform will help ease the "great burden on profits," Kappel said. But he bore down hard on the relationship between wages, prices, profits, and the rate of business investment in new plant and equipment—something that the Administration considers one of its top economic goals.

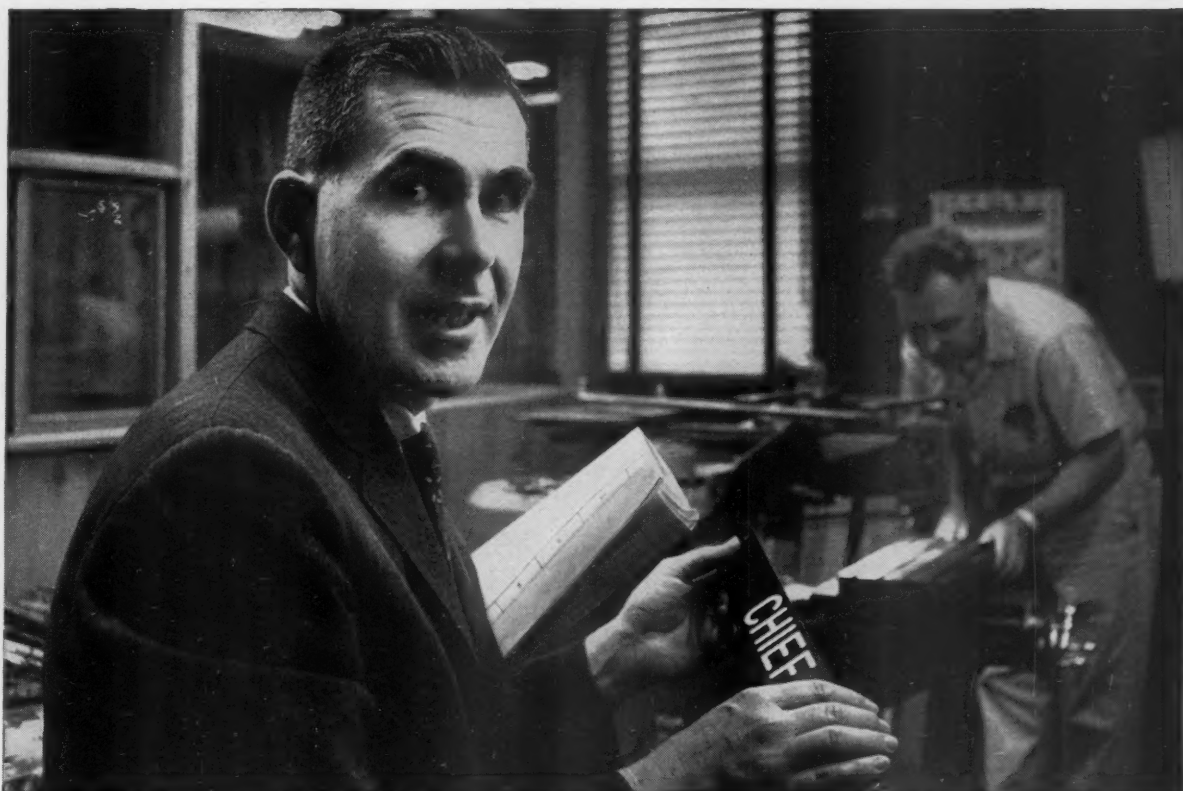
**New yardstick.** Dillon made a dinner speech Friday night and stayed over for a question-and-answer session Saturday morning, which was devoted almost entirely to the forthcoming revision of Bulletin F.

Dillon said the basic studies to determine the average tax lives that industry now is using should be ready sometime this winter and the new rulings on faster tax write-offs should be out by late winter or early spring. However, Dillon said he expected the "general principles" that the Treasury will follow might be ready by January.

While tax lives will be different for different kinds of equipment and different industries, Dillon expects that when new announcements are made they will be made across-the-board—that is, all industries at once, rather than parceled out one industry at a time.

Dillon said no question was asked about the necessity for a tax increase next year to balance the budget.

# Long Distance pays off in extra sales



*"We follow up inquiries by phone—fast and profitably"*

says Fenmore R. Seton, president,  
Seton Name Plate Company, Inc., New Haven, Conn.

"When we get a sales lead, we reach for the telephone," reports Mr. Seton. "People appreciate a fast, personal response to their inquiries."

"Long Distance makes our business *local* to customers everywhere. And our telephone contacts have led us to hundreds of new accounts."

"For example, on a recent Long Distance call, we turned a routine inquiry into an order for 339,000 pressure-sensitive identification plates. The call cost us \$1.95."

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## LONG DISTANCE RATES ARE LOW

*Here are some examples:*

New Haven to New York . . . . .	45¢
Milwaukee to Minneapolis . . . . .	95¢
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*These are day rates, Station-to-Station, for the first three minutes. Add the 10% federal excise tax.*

**BELL TELEPHONE SYSTEM**



"We should do everything to avoid that," he said. "The income tax is high enough."

**Forecasts.** Council members got a slightly less rosy view of the business outlook than government experts have been putting out. Kappel's poll of 18 top company economists who serve as technical consultants to the Council showed the median putting 1962 GNP at \$560-billion, as against Administration guesses that run to \$575-billion.

Quarterly forecasts made by Kappel's group, in median figures at annual rates:

Fourth quarter, 1961	\$536-billion
First quarter, 1962	547-billion
Second quarter, 1962	557-billion
Fourth quarter, 1962	570-billion

A great deal of economic sense is being made now by government economists, Kappel said, referring to statements by Administration officials indicating they will be just as tough in pressuring union leaders on steel wages next summer as they have been this fall in pressuring against a steel price increase.

**Cost-price stability.** Heller told the Business Council that he sees the price level holding stable until mid-1962, but then the question will arise "whether the surge of recovery will continue . . . or whether a revival of creeping inflation" will begin to plague both business and Washington planners.

Heller said that wage and price stability does not mean there should be a freeze on either. Since some prices will necessarily rise, he said, "It follows that others must fall if the price level is to remain stable."

Heller said that when wage rates rise proportionally to productivity, "It does not mean that wages absorb all the productivity increase. It does mean that wages and profits divide the productivity increment in the same proportion as they divided the earlier total."

Export prices of U. S. manufacturers between 1953 and 1959 rose 16%, Heller said, while most of our competitors held their prices stable or actually lowered them. Since 1958, he said, this unfavorable trend "seems to have been arrested and even reversed."

Unit labor costs of U. S. manufacturers rose more rapidly in 1953-59 than in any other major industrial exporting country (except for Canada and the United Kingdom), however, Heller said, and the success of our competitors in holding down their export prices "stems not from an absolutely slower rate of wage increase but from an absolutely faster rate of productivity increase."

# FTC hardens its line on price discrimination

**New ruling holds that competitive price cuts made to attract new customers, rather than to retain old ones, constitute unlawful discriminatory practice**

**The Federal Trade Commission** has made it a little harder for a businessman to undertake the already tough job of defending himself against a discriminatory pricing charge by claiming he cut his prices in good faith to meet those of competitors.

Four of five FTC members now believe this defense, which is written into the Robinson-Patman Act, applies only when a businessman is fighting to retain an old customer—and not when he seeks to get a new one. At best, their decision in a price discrimination complaint against Sunshine Biscuits, Inc., further hampers the difficult and little-used "good faith" defense in answer to such a charge.

But it may also indicate a tougher FTC attitude toward price discrimination (it is significant in this regard that Sigurd Anderson, generally considered the FTC's most conservative member, wrote the opinion).

**Already severe.** The so-called "good faith" clause of the Robinson-Patman law provides an absolute defense against a price discrimination charge. But because the requirements are so severe for proving a price was reduced in good faith to meet a competitor's, there are few examples of its successful use. Now that the commission has drawn a distinct line between "defensive" and "aggressive" price cuts, its use will be even more difficult.

The idea that it is not lawful to make "aggressive" prices cuts under the good faith clause is not a new one. The Supreme Court suggested it as early as the mid-1940s, and the commission itself previously has included it in opinions. But it is significant now because FTC, in ruling on the discriminatory pricing complaint against Sunshine Biscuits, has given a more complete definition of what price cuts fall within the shelter of the "good faith" clause.

**Only self-defense.** In his majority opinion in the Sunshine case, Commissioner Anderson pointed out that

the prior FTC decisions held that the good faith defense applies only where a seller is acting in self-defense against competitive price attacks. Commissioner Anderson also said FTC has held that the defense does not apply when a seller is obtaining new customers.

In the Sunshine case, though, he went a step farther and separated the alleged price discrimination from market conditions. Sunshine claimed it was operating in a cut-throat market, and could hold its own only by cutting prices to get new customers.

But since the company was not faced with the loss of any customers and did not lower prices to retain customers, the FTC ruled, "its actions were not defensive regardless of the competitive conditions which existed in the market." If the commission were to sanction Sunshine's pricing, Anderson said, it would have to "excuse discriminatory price reductions made for the purpose of obtaining new customers in any competitive situation."

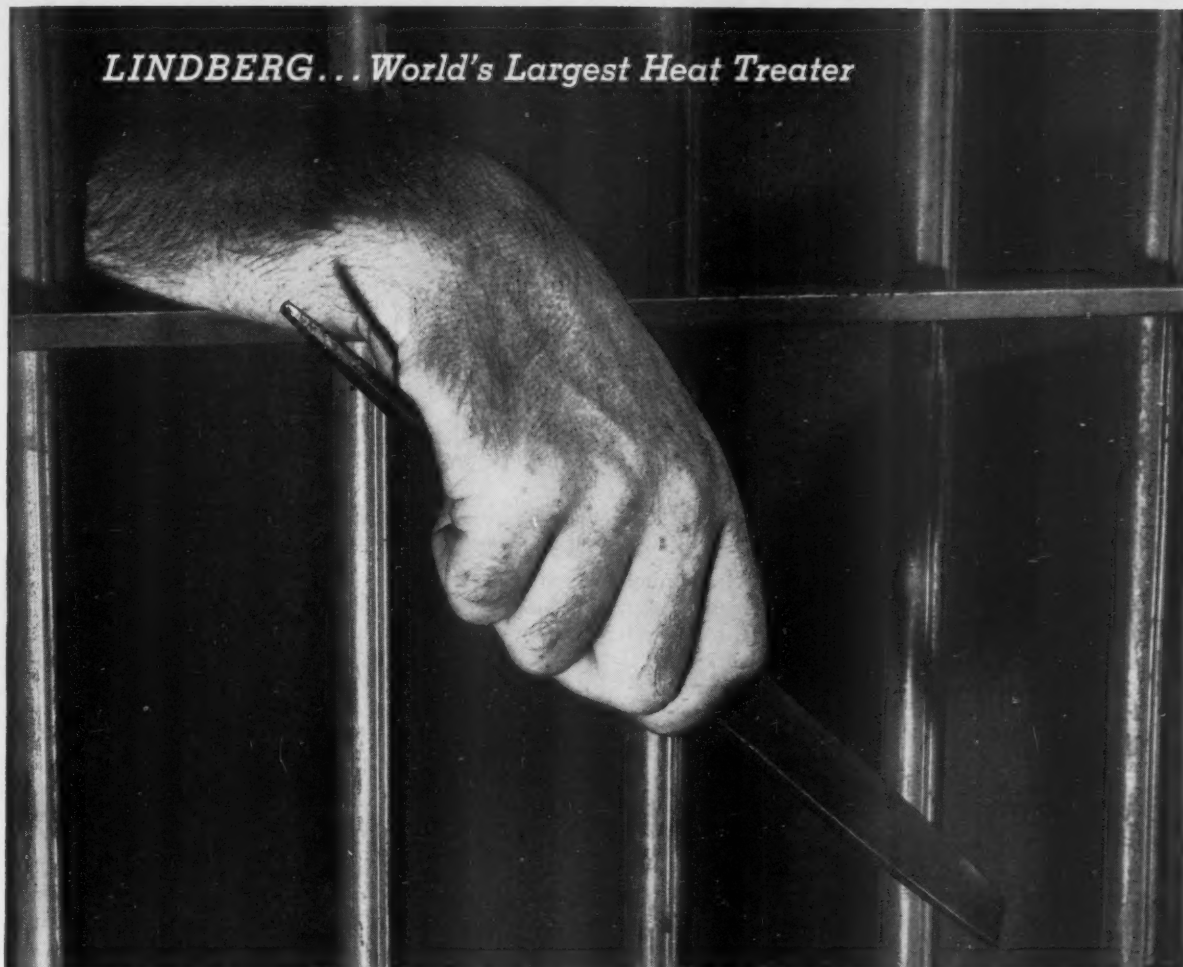
An attorney for Sunshine says he will ask the commission to reconsider its ruling. If there is no further commission action, the case will be appealed, he said.

**Dissent.** Commissioner Philip Elman, one of three men appointed to the commission by Pres. Kennedy, strongly dissented from the majority in the Sunshine case. He also feels that there is no requirement in the Robinson-Patman Act that a price cut must be "defensive" if good faith protection is invoked.

Perhaps more important, though, Elman believes the FTC is initiating an unworkable standard for businessmen. "The line between 'old' and 'new' customers is far easier to state than to apply to the myriad situations that develop in actual business relations between sellers and buyers," he said. This old-new customer test, Elman said, "appears to be economically unsound."



**LINDBERG... World's Largest Heat Treater**



## **How Creative Metallurgical Know-How Discouraged the File in the Prison Cake**

Back in the early 20's, the Illinois State Penitentiary at Joliet was constructed.

In addition to the tons of stone needed to effect the proper security, quite a few metal bars were required as well. Not just ordinary steel bars, but ones hard enough to make any attempt at sawing through them a tremendously difficult task.

Though a fledgling organization at the time, the Lindberg Steel Treating Company said it could heat treat these bars enough to discourage any attempted saw-out, and do it economically.

It got the chance. And according to officials at Stateville, the bars are still doing an admirable job, 40 years later, of thwarting files and saws.

We're not a fledgling company any more, but our method of operation is much the same. If you have a metal hardening problem, chances are more than good that we can solve it, and economically, too. From bar stock to missile motor cases, we live, breathe and eat heat treating.

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**LOS ANGELES 23, CALIF.**  
2910 S. Sunol Dr.  
AN 8-3174

**CLEVELAND 14, OHIO**  
Lakeside Steel Improvement Co.  
5418 Lakeside Avenue — HE 1-9100

## **Sinclair Oil settles antitrust suit, agreeing to sell its Texas Pacific shares**

Sinclair Oil Corp. this week ended three years of legal sparring with the state of Texas when it abandoned plans to acquire control of Texas Pacific Coal & Oil Co. [BW Feb. 7 '59, p21]. In 1956, Sinclair bought some 1.1-million TP shares (about 29%), averaging about \$42 a share. Late in 1958, Sinclair offered to acquire the other TP shares, via a stock exchange; three days before the TP board was to consider the offer, the Texas Attorney General brought an antitrust suit to block the deal.

**This is the suit that Sinclair settled this week by agreeing:**

- Not to try to take over TP.
- To sell its TP stock as soon as it can without a loss. (This week, TP traded around \$34.75, which would mean an \$8-million loss for Sinclair.) Sinclair can sell to anyone it chooses.

The settlement leaves Texas Pacific, which has 150-million bbl. of proven reserves, free to go its own way as an independent producer of crude, to merge with an integrated producer other than Sinclair, or to sell its assets and liquidate. If it liquidates without pressure from Sinclair, the latter is free to bid for its assets.

## **Further climb seen—but no real soaring— as c-of-l index hits 128.3% peak**

The government's Consumer Price Index climbed to another new high of 128.3% of average 1947-49 costs in mid-September, and a further rise is expected in the October figure due a month from now. But economists for the Bureau of Labor Statistics see no likelihood of "a take-off to substantially higher prices."

The c-of-l index rise from 128.0% in August was due to higher prices for clothing, housing, used cars, and services. Food prices dropped seasonally.

## **Harried airlines divided on merits of cost cutting, fare boosts**

The financially pressed airline industry was divided this week on the merits of cost cutting and fare increases to ease its pains.

The Civil Aeronautics Board has been prodding the airlines to trim costs by collectively eliminating free meals and the sale of drinks on coach flights. At mid-week, the idea seemed doomed by the reluctance of Continental Air Lines, a small trunk carrier that depends heavily on the quality of its food and other services in competing with larger carriers.

On the fare front, National Airlines applied to CAB for a Dec. 15 boost in jet air-coach fares to about 85% of first class, from the present 75%. This would raise

the New York-Miami coach fare to \$71.30, from \$64.90, the Los Angeles-Miami fare to \$128.85, from \$115.95.

Some other airlines have favored a similar boost because of the drift of passengers from first class to coach, which now gets 61% of all air travel. But until National broke ranks, the industry had refrained from asking for such a raise because it expected CAB to frown on the proposal.

## **A small device that's full of soup will see if there's life on Mars**

A 1-lb. mechanical device that would detect life on Mars—if it were anything like earth life—has been perfected by American Machine & Foundry Co. and Resources Research, Inc.

The device functions on, of all things, soup. A nutrient broth is vacuum-sealed into the detector, which would then scoop up Mars dirt and mix it in. If any bacteria were present in the dirt, the device would flash back the telltale evidence of radioactive carbon-14 burned off by the microorganisms. The machine could also flash back such signs of biological activity as the assimilation of food, growth, reproduction, and even death. Biologists call these the defining prerequisites of life; if the processes appear in the transmitted data, it can be inferred that Mars has living things.

NASA, which has contracted for the device, says it may be used on moon shots as a preliminary to a landing on Mars.

## **Business briefs**

Hearst's American Weekly, long since fallen from its top dog position among Sunday newspaper supplements, this week shrank still further when it was learned that it would be withdrawn from all 21 non-Hearst papers that carry it. It will continue to be carried by nine Hearst papers. The move will eliminate much duplication; it is estimated that 35% of the American Weekly's circulation has been with papers that also carry a competing supplement.

The first loan for an industrial plant under the depressed areas program was granted this week by the Area Development Administration, nearly six months after the program became law. The \$500,000 loan will enable Carbondale (Ill.) Industrial Development Corp. to acquire and revamp a city-owned plant for Technical Tape Corp., maker of Tuck-tape; the corporation is putting up another \$1.3-million, and Technical Tape is investing \$1.8-million in equipment.

The Erie-Lackawanna Ry. this week withdrew its objections to the proposed merger of the Norfolk & Western with Nickel Plate and Wabash. In return, the N&W promised to seek to include the E-L in its enlarged system.

# Washington outlook **BW**

October 28, 1961

## Weaknesses seen behind Soviet tests and boasts

Khrushchev's boasts and bomb tests of the past week—though taken seriously—are not causing changes in the U. S. cold war or defense plans.

In rapid fire, the Soviet Premier hammered the West and the Communist Party conference in Moscow with the biggest A-bomb test ever, repeated missile runs in the Pacific, and boasts about an anti-missile system.

The effort is to impress his enemies abroad and his rivals at home with his growing might.

The effect in Washington is almost the reverse. His grim show of the past week is seen partly as a device to direct attention away from serious weaknesses.

## Updated look at Red strength

For weeks, officials have been quietly reassessing Soviet strength as compared with that of the U. S. They've noted his troubles in Southeast Asia, the challenge of the Chinese Reds, the weakness of his East German regime, the general softening of his line regarding a Berlin settlement [BW Oct. 14 '61, p. 27].

The military phase of the reassessment has led to a significant switch in the Administration's view of Soviet power—and to a restatement in new language of what is essentially the old Dulles doctrine of massive retaliation (page 110).

Deputy Secy. of Defense Roswell L. Gilpatric disclosed the new findings in a speech last Saturday. He told an audience of top corporation executives that the long-debated missile gap—which Democratic orators from Pres. Kennedy down stressed in last year's political campaign—does not exist. The new line is that Russia is suffering from a gap in missile striking power, not the U. S.

## What's causing the worry over antitrust

The closet case—the issue kept locked up and out of sight at last weekend's meeting between top business executives and government officials—was antitrust. The subject was avoided in the formal sessions of this "let's-be-better-friends" meeting (page 34). But it is much on the minds of the chiefs of the biggest corporations, and it won't be shunted aside much longer.

So far, the Justice Dept. under Atty. Gen. Robert F. Kennedy has put the stress on price-fixing cases, some of them carried over from the Eisenhower Administration, with a smattering of merger complaints. But more far-reaching actions are being considered.

Antitrust chief Lee Loevinger studies industries where a few companies hold most of the economic power or where new concentrations of power may now be forming.

The trustbusters deny having a "bigness is badness" complex. Just the same, they are reassessing the place of industrial giants in the economy and wondering whether the government should try to reduce their size or alter their development.

For the past 20 years or so, the trend among antitrust theorists has been to accept great size as unavoidable in a modern industrial society. Loevinger doesn't challenge this concept. But he seems fascinated by the economic muscle of a few extremely large corporations.

Loevinger likes to say he is going to pursue a program of "classic" antitrust enforcement. If he decides classic means going back to times when



# Washington outlook Continued

sheer size weighed more heavily on the minds of the antitrusters, then significant changes are certain.

This line of thought is still preliminary. But it is far enough along to explain why the troubles of some corporation executives with the Kennedy Administration may be only beginning.

## Yearly meeting weighed as guide to wages, profits

Annual conferences between business and labor to lay down general economic policy guidelines are one of the proposals that the President's Labor-Management Advisory Committee is debating hotly.

The conferences would tackle such prickly issues as wage rises, profit levels, and prices. The goal would be to spell out the desirable general trends, not to make explicit recommendations.

The committee is expected to urge that productivity increases be used as the broad guide to wage rises. But it will point out there will be some industries where wages will go up faster than productivity and others where the raises will have to fall behind productivity if the national goal is to be met.

## NPA tests new idea in private planning

A new venture in private economic planning was disclosed this week by the National Planning Assn. that hopes to get the support of businessmen, labor leaders, and agricultural spokesmen.

NPA, a nonprofit research organization, has been active for 27 years in issues where private and government interests interlock.

NPA proposes now to move into a broad program of assessing U. S. resources in the light of competing demands to expand defense, space, education, social welfare, foreign aid, and other programs. The idea is to establish a private center for putting first things first instead of leaving the job entirely to government.

## Cabinet fans out along the political trails

Some members of the Kennedy Cabinet are criss-crossing the country in a drive to rally public support for Administration policies before Congress gets back to work in January.

With only a little more than two months to go, there's no sign that any fires are being lighted, although some of the speechmakers have pulled in sizable sums at \$100-a-plate dinners.

The President himself is going to take a hand, but on a limited basis. He has agreed to speak at a party dinner in Los Angeles next month.

Postmaster General J. Edward Day is the surprise star of the Cabinet circuit. He's in great demand with a speech saying the Kennedy Congress this year passed more important laws than the Congress that passed the original New Deal legislation under Franklin D. Roosevelt. By Day's count, the score is Kennedy 12, Roosevelt, 11.

## Question now: How big the next budget rise?

Rising expenditures are shoving latest official estimates of the deficit up close to the \$7-billion mark for the current fiscal year. Even this figure probably will be topped before the year ends next June 30 [BWL Oct. 14 '61, p25].

Details of the current budget picture are spelled out in the annual review of the Budget Bureau. The review is expected to show spending of about \$88.9-billion and receipts of around \$82-billion.

A further rise of spending—perhaps \$1-billion to \$2-billion more—would not surprise fiscal analysts.

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# Next step beyond transistor

**Moletronics is shrinking electronics so a component makes up a whole circuit**

A general-purpose computer only slightly larger than a sardine can was displayed last week by the Air Force and Texas Instruments, Inc., as an example of the almost magical new art of molecular electronics.

In this tiny computer, 587 parts are crammed into a scant 6.3 cu. in. This in itself is quite a packaging feat. More important, though, each of these 587 parts is a complete electrical circuit on a sliver of silicon metal smaller than a slice from a grain of rice.

To duplicate this circuitry with conventional modern techniques requires 8,500 components on 67 printed circuits to provide interconnections. This would tip the scales at 30 lb., compared with the lilliputian computer's 10 oz.

**Others on the way.** TI's demonstration of how to shrink electronic parts is no isolated example—the chart shows what's being done with other types of electronic equipment. And it's more than a laboratory trick. It is the shape of electronics of the very near future. Some engineers say it will compete with standard circuitry within a year.

Texas Instruments was the first to show off a really complex moletronic device, but other manufacturers plan similar demonstrations.

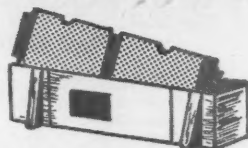
**What it is.** Moletronics is a radical departure from the idea of assembling components into circuits designed to perform a specific function such as amplifying a signal in a radio or doing a switching job in a computer. In the ultimate, the moletronic material is not the component but the whole circuit.

Thus, the galena crystal of an early radio set was an example of moletronics, and many other circuit-function devices, such as quartz crystal filters, are now used in elec-

## Next year's electronics

Here's how new molecular electronic networks are shrinking electronic systems:

**Missile programmer**



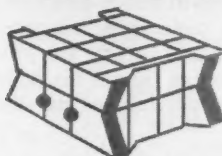
220 cu. in. 7.3 lb.

shrinks to



15 cu. in. 1.5 lb.

**Missile computer**



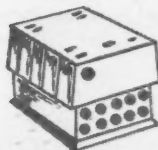
3300 cu. in. 115 lb.

shrinks to



50 cu. in. 5 lb.

**Data transmission system**



1680 cu. in. 50 lb.

shrinks to



30 cu. in. 3 lb.

tronic circuitry. But most of them depend on materials as they are found in nature. The new step, founded on modern semiconductor technology, makes materials with the electronic characteristics the designer wants.

Texas Instruments' first six commercial Solid Circuits, introduced at last week's showing, are basically the same wafer of silicon bearing the equivalent of six transistor elements, six diodes, nine resistors, and eight capacitors. Changing the connections to various areas of the tiny wafer changes its circuit function.

TI's first commercial Solid Circuits are designed for computers, but a second series for radio and instrumentation is almost ready for introduction. According to TI's Pres. Patrick E. Haggerty, they have been designed into an Air Force data transmission encoder.

**Showdown ahead.** Moletronic components can eliminate such ordinary circuit devices as resistors, capacitors, transistors, diodes, and cut down on the number of coils. Being complete circuits in themselves, they threaten the established structure of manufacturer-supplier relationships in the industry by displacing the sources of separate components.

The impending revolution in the

electronics industry as moletronics gains ground could make even the remarkable history of the key transistor [BW Mar.26'60,p74] look like the report of a preliminary skirmish.

## I. What they're doing

The electronics industry has been for several years aware of the potential of moletronics circuits, but problems of production and of a radically new approach to circuit design discouraged many engineers. Although Texas Instruments demonstrated experimental Solid Circuits to the Air Force in 1958, few people in the industry expected moletronic components to be competitive with standard circuitry, even for air and space-borne equipment, before 1965 at the earliest.

The Air Force, convinced of the need for radical measures to reduce the size, complexity, and power requirements of electronic circuits, is largely responsible for speeding up moletronic development. Since 1959 it has obligated more than \$10-million worth of contracts to test the feasibility of "inherently reliable electronic equipment requiring reduced amounts of power and taking up very little space."

**Other companies.** Besides Texas Instruments, at least four other com-

# Rockwell Report



by W. F. ROCKWELL, JR.

President

Rockwell Manufacturing Company

TODAY'S AIRLINE PILOT is not flying "by the seat of his pants" the way he did twenty years ago. Advances in radar, direction finders, instrument landing techniques, weather analysis and faster

communication of information combine to give the pilot usable up-to-the-minute information. As a result, he can change his flight plan, avoid storm centers, land safely in bad weather, even cancel the flight if the immediate conditions so dictate.

The techniques of managing money in modern business have shown progress in much the same way. The mechanical and electronic means of organizing and processing important financial data have seen great strides in recent years. The methods of consolidating and communicating this vital information have seen a variety of improvements also.

These advances can be invaluable in creative money management. The extent to which they are valuable lies in the timeliness of the information. Such timeliness in turn, depends on the advance plan whereby the information will be collected and consolidated quickly and efficiently.

*In recent years, for example, our controller's staff, by examining, altering and experimenting with their plan to accumulate monthly figures, have been able to reduce the time in presenting their consolidated monthly report from ten to five working days after the last day of the reported month.*

This is no mean feat, considering the fact that this information must be garnered from twenty-three U.S. plants in fifteen states, three Canadian plants and warehouses and several other reporting units.

These consolidated figures are in the hands of our managers a week earlier. Thus, basic interpretation and specific decisions relating not only to the management of money, but also to all facets of the business, can be made sooner. It's not easy to calculate all the savings involved. Nor is it necessary. We're sufficiently convinced that, as in flying, the more up-to-the-minute our information, the less the risk, and the greater the likelihood for safe take-offs and good landings.

\* \* \*

These monthly figures, incidentally, are reviewed by the controller in a meeting with staff management. Within hours after the figures have become available, they have been transcribed on slides, and the visual presentation is made. Timeliness in interpretation is almost as important as timeliness in accumulating the figures themselves

\* \* \*

It has long been a belief of ours that a manufacturer must be actively participating in, and contributing knowledge to, the key industries it serves. A current example is to be found in our gas products Showmobile, touring the nation to help gas utility personnel become more fully acquainted with all aspects of gas measurement and control. A self-propelled display van, it includes cut-away models, visual aids and instruction literature.

*This is one of a series of informal reports on*

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panies have molectronic devices in or near production.

**Fairchild Semiconductor Corp.**, wholly owned subsidiary of Fairchild Camera & Instrument Corp., is producing molectronic-type semiconductor networks, called Micrologic Elements, at a rate of several hundred per week. Robert Noyce, president of the subsidiary, says the rate will be up to more than 10,000 a month by January, with uses already designed into several products.

**Westinghouse Electric Corp.**, which created a Semiconductor Molectronics Dept. last summer [BW Jul.15'61,p36], is using molectronic solid-state circuits in a communications receiver it is scheduled to deliver to the Air Force in December. It has two Air Force feasibility contracts totaling \$4.3-million. By yearend it plans to mass-produce several molectronic circuits; it hopes next year to introduce both industrial and consumer products that use the new devices.

**Motorola, Inc.**, has proved to its own satisfaction the feasibility of making both digital circuits (for computers) and linear circuits (for communications and instruments) by molectronic techniques. Motorola holds the third largest Air Force molectronics contract for \$1.4-million. Vice-Pres. C. Lester Hogan, who heads the Semiconductor Products Div., expects to be able to fill orders in the 50,000 range soon.

"There's still a lot of work to be done," he says, "but there is no longer any question of feasibility and economics. Now it's a marketing problem.

Many other companies are within a year of production capability in the field. Transatron Electronics Corp., for example, says it will be in production by next spring. Brainard Fancher, general manager of General Electric's semiconductor division says his groups will be in production within a year.

**Price trend.** The strongest evidence of all that solid-state circuits have arrived, economically, is the fact that prices are dropping.

Texas Instruments' first military circuits in 1958 were few in volume and practically handmade; they undoubtedly cost thousands of dollars apiece. TI soon dropped the price for a sample to the \$300 range. This summer Fairchild introduced its Micrologic Elements at \$120 each in sample lots of one to 100, with volume prices as low as \$71 apiece in lots of 1,000 to 10,000. TI's latest volume prices for Solid Circuits are \$5 to \$20 below that.

If molectronic elements follow the



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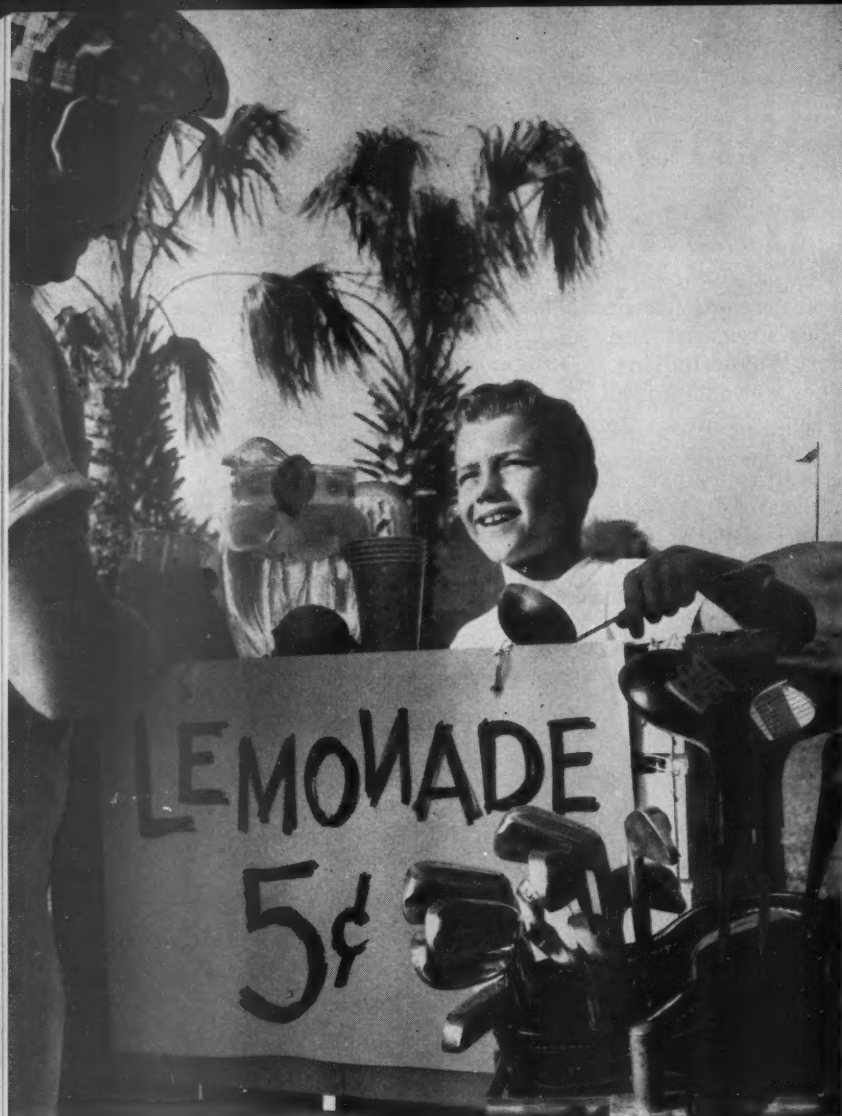
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price curve of transistors, a year from now they'll be around \$25 to \$35 apiece and two years from now, in the \$10-\$15 range. At least one producer suggests privately that they will be in competition with all but the cheapest consumer electronic devices within two years. If this prediction comes true, household TV sets may never be transistorized, but will go directly to molecronic design.

## II. Ways of production

To dramatize the radical molecronic concept, the Air Force at one time talked of growing crystals that would act as complete radio receivers. Most lab people derided the idea.

Texas Instruments was first to try to combine transistors with resistance and capacitance elements on a single chip of semiconductor material, the technique that many manufacturers now think is most promising. Others such as General Instruments Corp. are concentrating on thin-film techniques on insulating surfaces, combining semiconductor and other materials in a sealed circuit-function package, and other methods.

**Four ways.** Four developments used to make the most advanced types of transistor helped promote the molecronic technique based on a single chip of semiconductor material:

- The ability to grow a protective layer of oxide on the outside of a silicon wafer, making it almost immune to its environment.
- Improvement of control of electrical characteristics of semiconductor junctions by the planar technique of double diffusion, perfected by Fairchild, improving yield of high-quality elements.
- The ability to grow crystalline semiconductors from a vapor, again improving quality control and production yield.
- Through experience in making mesa and planar transistors, a high skill in photo-etching methods.

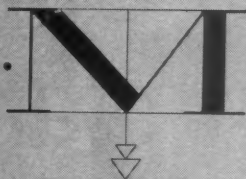
**Skeptics.** You can find skeptics who doubt that the problem of meeting tight specifications has been anywhere near solved, who say that yield is still economically low. Some object, too, to the centralizing of end-product design responsibility in the components manufacturer. Customers may balk at using molecronic circuits under such conditions, these critics say.

The answer is that the Air Force will have much to say about that, and the Air Force is apparently sold on molecronics. **End**

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# Soviet Union: how it plans, works, grows

The Russians are engaged in a crash program to catch up with U. S. production by 1970. But their haste is reflected in shortages, waste, under-the-counter deals

After the Geneva summit meeting in 1955, Nikita Khrushchev flew back to Moscow in a rickety, twin-engine Ilyushin-14. A copy of the old U. S. Convair, the Ilyushin had looked shabby next to Pres. Eisenhower's sleek "Columbine," a Constellation.

Promptly, Khrushchev summoned Soviet aircraft designer Andrei Tupolev to the Kremlin. "I want you to build for commercial use a jet passenger plane," Tupolev quotes Khrushchev as saying. "You have just 18 months."

Tupolev made the deadline with two days to spare, giving Khrushchev and Aeroflot, the Soviet Union's state-owned airline, the world's only commercial jet airliner then flying—the vaunted Tu-104.

**Crash program.** Today, Premier Khrushchev has the whole country churning in a crash program like Tupolev's, from Latvia to Siberia and from Kazakstan to the Far North, with the aim to overtake the U. S. in economic might.

To hound and hector the Soviet Union's 216-million citizens, the Soviet Premier has the Communist Party, the press, posters, radio, and TV mobilized in massive, brassy exhortation. At last week's opening of the 22nd Congress of the Communist Party of the Soviet Union, Khrushchev ordered an all-out effort to surpass U. S. production by 1970.

**Economic pressure.** For some time, pressures on the people have been excruciating. From housing projects, spreading like rash around the cities, to steel mills on double shifts, workers toil under constant barking for faster performance.

The tempo reaches even the staid sanctums of the nation's oldest institutes. "When I finish a project," says a distraught academician involved in research at the U.S.S.R. Academy of Sciences, "they say thanks, that's fine—now, why haven't you started the next project?"

**Targets.** Like Tupolev, the economy is pouring it on. Industrial production is rising about 8% yearly. Most other economic indicators are up. Soviet economists say Russian production will surpass U. S. output of cement in 1965, of steel in 1967, and of oil in 1972. Over-all, they say, Soviet industrial output compared with U. S. will be in the proportion of 100-to-72 by 1970.

Perhaps these goals are visionary. Yet they and many other Soviet targets seem in some respects no more far-fetched than Soviet development today might have seemed 10 years ago.

To meet the Tu-104's deadline, Tupolev resorted to unorthodox techniques. "I borrowed from work already done, taking a wing from here, the engines from there."

**Soviet shortcuts.** The whole Soviet system, too, is taking shortcuts. From the West, the Russians have imported complete factories. From satellites, they purchase consumer goods to conserve Soviet capital for heavy industry.

If Karl Marx gets in the way, he's slapped down—quietly. Soviet stores sell on credit. To help guide investment profitably, Soviet economists are turning to the principle, thinly disguised, of interest on capital, thus leaving Marx' famous labor theory

of value something mainly for the books.

**Sharp contrasts.** Just as the first Tu-104 was a weird composite of clean lines outside and Victorian appointments inside, the Soviet Union today has bizarre contrasts. Factories hand-carry goods from one automatic line to another. New apartment buildings have antiquated elevators. Space capsules go into orbit; accountants still use the abacus.

The Tu-104 has proved to be uneconomic because its military engines are too powerful for its payload. Similarly, the Soviet economy has monumental waste and inefficiency, with millions of rubles going down the drain, for example, for lack of adequate surface transportation and other basic needs. Agriculture is sick. Corrupt business practices take such a bite out of the economy that it is a national scandal.

For all the Tu-104's faults, it has had this to say for it. It usually gets where it wants to go. Will the Soviet Union? The prospect is chilling, if the future is judged by the past.

**Dynamic years.** Since its violent beginning, in the wintry darkness of





Communist officials arrive at new Kremlin hall to hear Khrushchev detail Soviet economic goals at 22nd party congress

Petrograd (now Leningrad) just 44 years ago, the Soviet Union has set up—and proved viable—a totally new economic system based on non-capitalist institutions and principles.

That system has emerged strong despite such rending crises as the Stalin purges and World War II. Now, nearly half the world lives under Moscow's hegemony (or that of its Peking ally).

For all its drabness, the Soviet Union has an inner dynamism. Despite a commitment to Marx, Soviet leaders have been flexible enough to cope with many economic problems in a pragmatic, non-Marxian way. A young generation of Communists is taking over the country's economic reins, devout as the old Bolsheviks but better trained. And for the ordinary Russian, things have never been better.

In some ways, though, the Soviet Union hasn't changed at all. It still is a police state, with the single-minded purpose of building national power at almost any cost to its people. It still is seeking to extend itself around the world. It still is the most centralized state in modern

times, with the Kremlin having more direct control over its people than Hitler over the Germans, or Mussolini over the Italians.

## I. The Plan is the Word

In the Soviet economy, there is the Plan.

The Plan is the Word, reaching with supreme authority from the leadership down to every factory, farm, and mine in the nation, to every worker and peasant, spelling out quotas and norms.

The Plan gives and the Plan takes away, assigning to enterprises their supplies and capital, specifying and allocating their output.

While the Plan comes down as a precise order, the process by which it evolves has little precision. Plan making, for one thing, entails a kind of nationwide bargaining session, with the directors of factories and other enterprises arguing annually

with the allocators for minimum output targets and maximum inputs and with the allocators striving for just the opposite.

**Dual miracles.** The Plan is wondrous in two ways: (1) that it ever gets drawn up; (2) that it ever works.

Wassily Leontief, Harvard economist, compares the Russian technique of economic planning with a talking horse. "The remarkable thing is not what it says but that it speaks at all."

Yet, this is how the Soviet Union controls all economic activity in its 8.5-million square miles—one-seventh of the earth. American businessmen who remember World War II controls can imagine the confusion and frustration.

**Chain of command.** At the top is Gosplan-U.S.S.R., in Moscow. Gosplan is the State Planning Committee. Subordinate Gosplans in the 15 republics take orders from Moscow, pass them on in turn to the 105 regional economic councils under the republic Gosplans.

Annually, Moscow charts the Soviet Union's economic course for the

next year by prescribing production targets, capital investment, technical innovations, budgets, labor requirements, regional development.

This is done after consultation with the Soviet Union's highest leaders. Gosplan chief Vladimir Novikov sits on the Council of Ministers with the heads of all key ministries such as agriculture, defense, foreign affairs, atomic energy, finance, power station construction, transport. The council meets regularly through the year.

Khrushchev, of course, presides, setting general guidelines for planning with assistance from the Presidium of the Communist Party.

**Operation dovetail.** Gosplan's economists make up several interlocking plans in such areas as fiscal support and labor allocation, the most important of which is the key "supply" plan.

Work on the "supply" plan starts quietly six months preceding the plan year, with Gosplan-U.S.S.R. examining the nation's output results of the previous year and indications in the current year. Comparing these results with the Seven-Year Plan goals for 1965, Gosplan makes preliminary estimates of the supply to be needed of at least the 200 most important input materials.

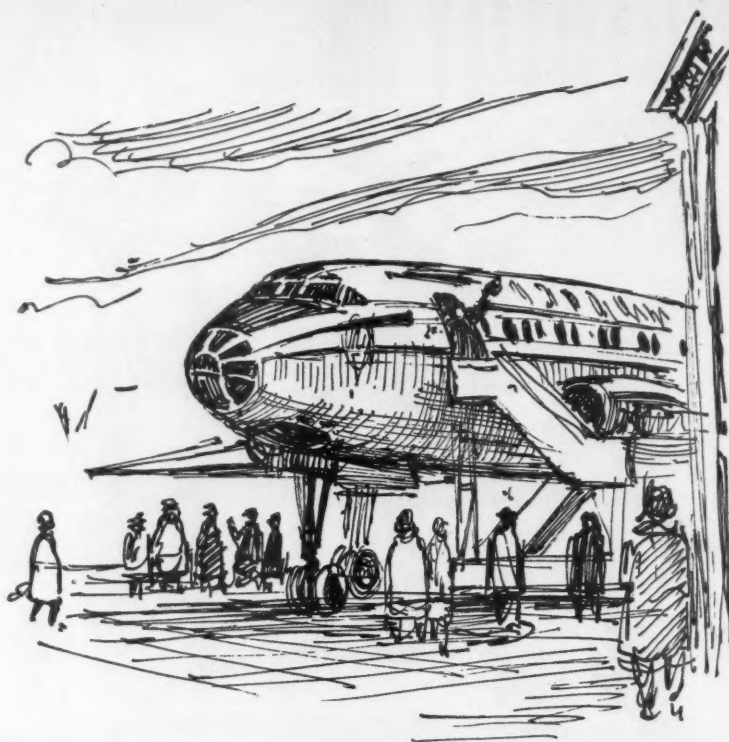
Meanwhile, enterprises all over the nation are estimating their own output targets, to figure out how much of the various materials they will need, and filling out supply request forms.

The enterprises send the forms to their regional economic councils. The council correlates and reviews these supply estimates, cutting them down where possible. The enterprise director has the right to bargain. He even can appeal immediately to the republic Gosplan.

The regional councils forward their estimates of total supply needs to the republic Gosplan, where there is more bargaining. The republic Gosplan figures how much of its requirements can be supplied from within the republic and how much must be brought in from other republics.

By Aug. 1, republic estimates must be sent into Gosplan-U.S.S.R., which then has until Sept. 15 to work out a balanced all-Union output and supply plan. Tentative plans are sent back down the line to the republic Gosplans, thence to the regional councils and finally to the enterprises. Deadline for complaints is Nov. 1.

**Regional job.** In Moscow, Gosplan-U.S.S.R. has faced the fact that it can't possibly keep its finger on the nation's myriad transactions,



A crash program produced the jet Tu-104 but . . .



. . . there's still a lot of hand labor in Soviet plants



that there must be some autonomy on the periphery. Thus, retail consumer trade and considerable consumer goods manufacturing are left wholly in the hands of regional economic councils. And while all heavy industry stays under Gosplan-U.S.S.R., even enterprises in this economic sector are left to their own devices in obtaining simple materials like sand and gravel. For many other materials, republic Gosplans and regional economic councils handle details of supply in their own areas.

**Rationing system.** Gosplan-U.S.S.R. keeps tight control on all important or scarce materials, prohibiting an enterprise to buy on its own any steel, automation instruments, or any of about 1,000 "priority commodities" that require for purchase a "fond"—a specific allocation channeled down from Gosplan-U.S.S.R.

To keep tabs on its rationing system, Gosplan makes a balance sheet for each centrally allocated commodity. This lists the sources on one side and distribution on the other. Obviously, they should balance. For instance, a balance sheet for copper should show production from every mine and smelter in the Soviet Union, accumulated stocks, and foreign imports, plus all demand for copper—for wiring, power station equipment, instrument makers.

If supply doesn't equal demand, Gosplan tries not to lower demand through cutting goals but attempts to bring supply up by such means as increasing production through higher labor productivity or more economic use of materials.

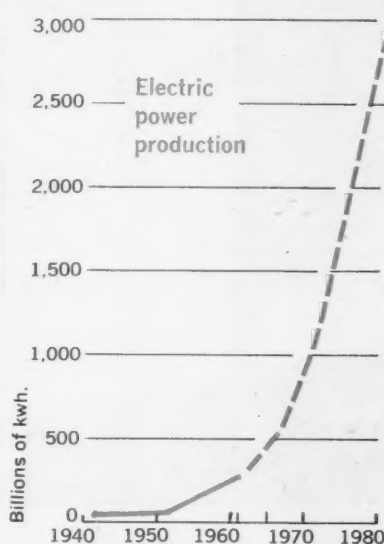
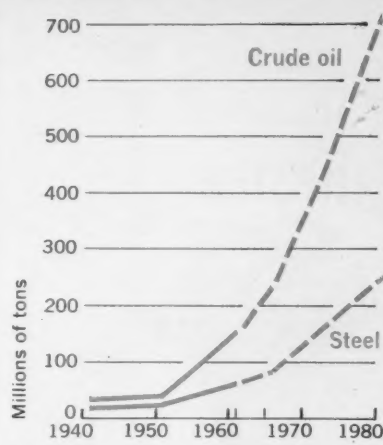
**Chain reaction.** In this manner, Gosplan strives for plan tautness. Naturally, each time production of a particular item is increased or decreased, it sets off a chain reaction. Thus, a decision to manufacture one kind of tractor instead of another could result in changes for tires, engines, carburetors, plus raw material components such as certain types of steel, copper, cast iron, and paint.

## II. Supply system bogs down

Despite its elaborate setup, the planning system has failed to get maximum results.

Shortages exceed even the worst days of the U. S. economy in World War II. At any given time, about one-fourth the Soviet Union's tractors and electric engines are idle for lack of spare parts. Many factories maintain machine shops just for

## Targets for 1980



Data: USSR Central Statistical Administration; Third Communist Party Program

making spare parts they can't buy.

The problem, of course, is not only with spares. Throughout the nation, basic materials run short. The Moscow City Economic Council, for instance, says it was allocated only half the amount of rolled pipe its factories needed to meet their quota last year. A combine plant in Taganrog stopped production of reapers for want of friction rings after an allocation of 37,000 rings failed to come through.

When supplies arrive, they often have the wrong specifications. Rather than return such deliveries, factories usually prefer to go ahead and use them if they can. Otherwise, they lose time—and may miss their quota. A typical case was the Novokakhovka Electrical Machinery Plant's use last year of oversized sheetsteel delivered by the Ukraine Metal Supply & Marketing Adminis-



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tration. The waste amounted to 23%.

**Favoritism.** Complicating already critical shortages is the growth of regionalism since Soviet industry's reorganization in 1957—a "decentralization" move that broke up many ministries and put 90% of Soviet industry under the command of regional economic councils.

Now, factories are showing favoritism toward their neighbors. The Ukraine's metallurgical plants, for instance, came through with all the deliveries for their Ukrainian customers last year—but failed to meet their obligations to other republics.

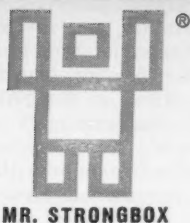
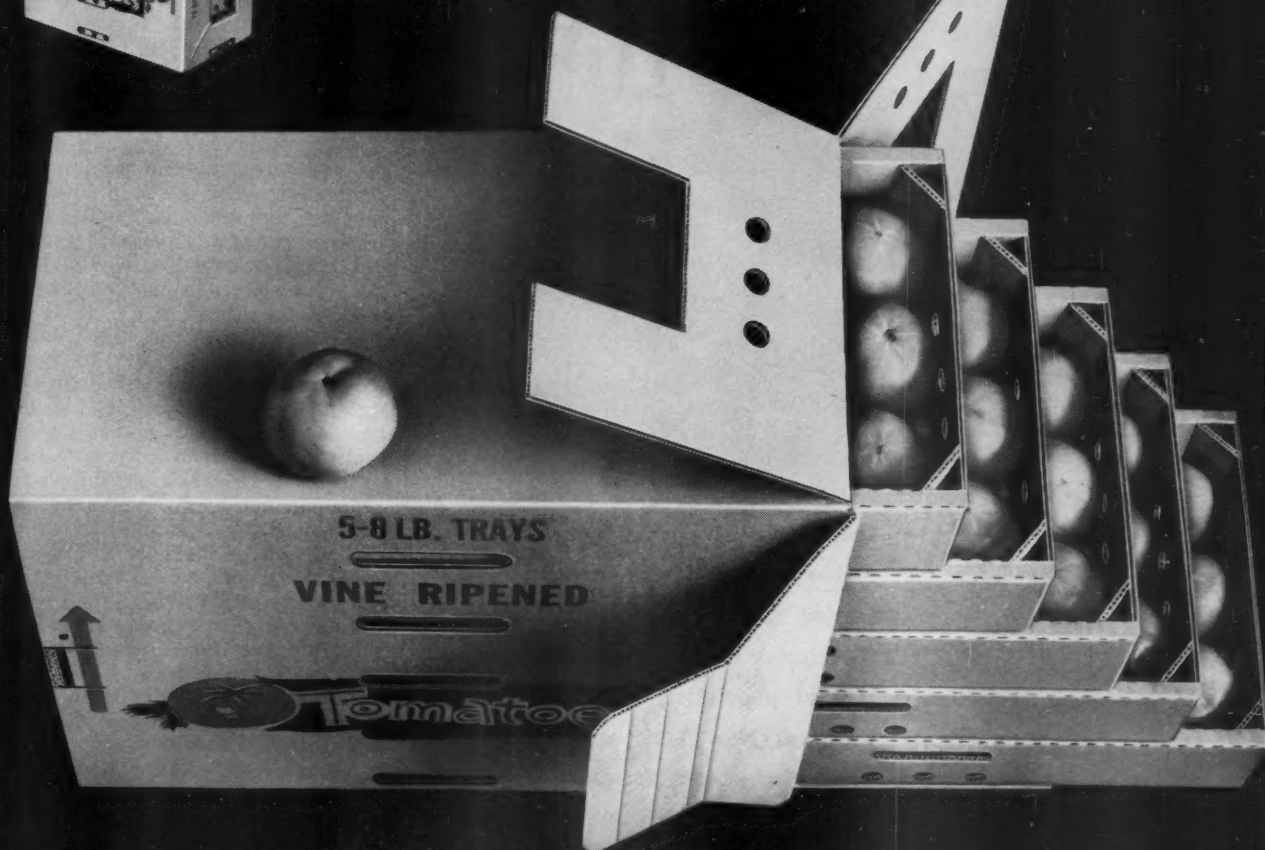
When Bashkiria wildcatters found oil near their boundary with the neighboring Tatar region, they sought—but were refused—permission to cross and drill on the Tatar side. They thereupon slant-drilled into the pool from their own side, evoking Tatar cries of protest and an official rebuke from Moscow for throwing "millions of rubles to the winds" with such expensive drilling.

**Parkinson's law.** An outrageous application of Parkinson's law has come to plague the planners in the wake of the 1957 industrial reorganization. When the ministries were abolished (to streamline the economy), their supply agencies were transferred intact. Thus, the Russian Republic, for example, now has separate marketing agencies for ferrous metals, scrap, and nonferrous metals—and each has dozens of its own warehouses.

Where the abolished ministries



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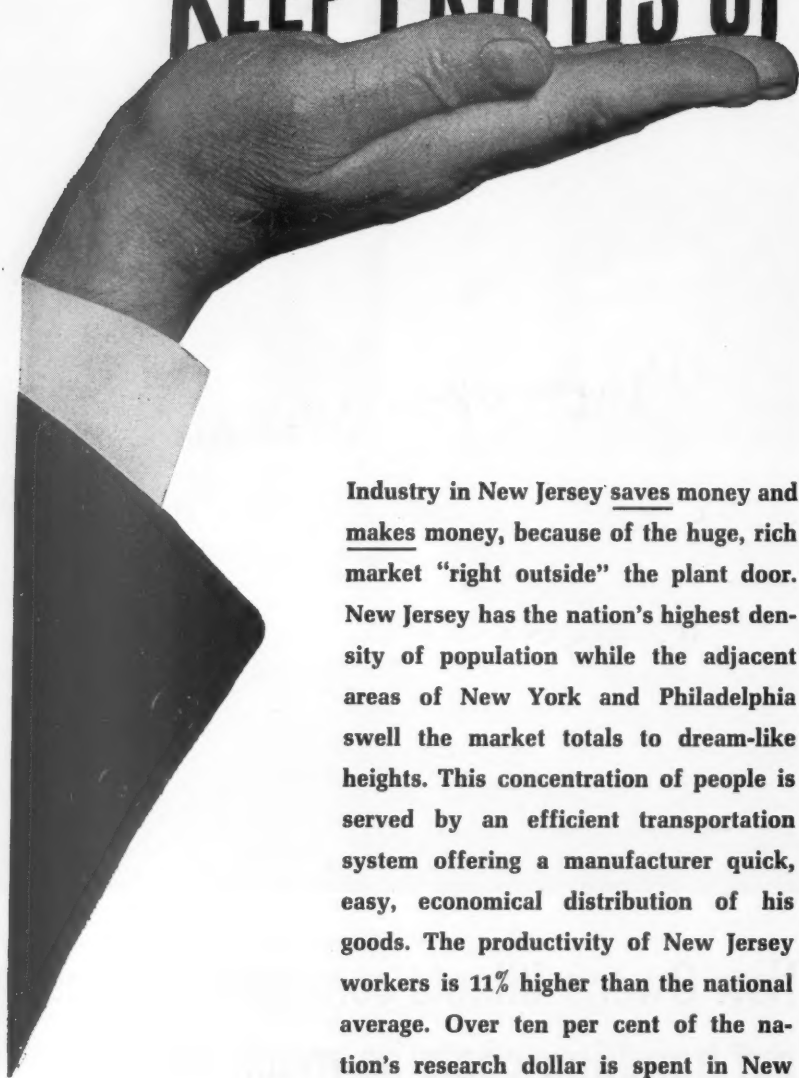
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had a total of 30 marketing agencies, there now are 15 under Gosplan-U.S.S.R., plus dozens more in the various republics. Personnel has more than doubled.

Now, 17 "major economic regions" have been set up to bring together officials of the regional economic councils included within each area, just for the purpose of getting the right hand to know what the left is doing.

Although these new regions won't constitute formally another level in planning between the republic Gosplan and the regional councils, their organization as a "monitor" requires still more personnel to be hired in the bureaucracy directing Soviet supply.

**Usually enough.** Despite shortages, the Soviets seem to have enough of the right materials in the right places much of the time. Under their system, this is not easy. Unrealistic balances in a few key sectors can throw kinks into the whole economy. The Sixth Five-Year Plan, for instance, was scrapped for the current Seven-Year Plan simply because the planners bit off more than the nation could chew.

Computers are being used increasingly to help planners cope with the complexities of material balances. At best, however, this gives planners the results of just one prospective move.

What's really needed is a device to enable planners to choose the best solution among endless ways of doing things. When locating a plant, the Soviets have formidable difficulties selecting the most profitable site in terms of the availability and cost of power, raw materials, manpower, transportation, and so forth.

An obvious answer is linear programming, developed and used to a limited extent in the Soviet Union. Linear programming's equations, representing numerous alternatives and choosing among them, helps establish prices that are a reasonably accurate reflection of costs.

**Inaccurate guide.** But over-all, the Soviets acknowledge that prices are currently an inaccurate guide to costs for mathematical planning purposes. Since price is set by administrative decision (rather than by the market equilibrium, as in a capitalist supply-and-demand economy), the Soviets rarely know an item's true cost at any given time.

If you can't determine costs accurately, how do you determine what's a profitable investment? The Soviet system simply has not developed in practice a rational price system to guide efficiently the allocation of resources in accordance

with changing demand, supply, and cost situations. A wholesale price reform is planned.

### III. Fill the quota, or heads roll

To meet these problems, the Soviet executive in charge of an ordinary enterprise has to live in a gray world of subterfuge.

By now, he certainly knows that his is not to wonder why at the Plan's oversights and failings, which loom up as full-blown crises for him to resolve. His job is to fill quotas.

A certain amount of the quota can be met legally. Chances are excellent that not all of it can be. Even if the plant has been allocated the necessary materials, the supplies may not show up. If they do, they may have the wrong specifications—or show up too late.

Legal recourse is none too effective. A factory manager may complain through channels. But Soviet bureaucrats have a way of turning a deaf ear—and looking for a new manager who may not fuss quite so much.

Soviet executives also may sue a supplier who violates his contract. But since any factory may only have one or two suppliers available, its director may look upon a lawsuit as bad public relations. There's the long term to think about. So, means other than strictly legal ones are sought.

**For example.** Let's take the hypothetical case of a rolling mill at Sverdlovsk.

At the end of the planning process, the plant director found his share of the nation's assigned production target higher than he had set in his preliminary estimates. At the same time, the supply of steel allocated to him was even less than he had requested.

The plant director then faces an ethical problem. His customers, the oil drilling trusts, have ordered small-diameter pipe for slim-hole drilling. If he somehow gets the steel and produces the specified quantity of small pipe, his total tonnage output almost certainly will fall short of the target set for him. He might exceed his quota—expressed in tons, not rubles—with production of heavier pipe, thus earning himself and his workers their bonus. So he goes ahead with the heavier pipe, knowing the oil drillers will be disappointed but hardly likely to turn down the shipment.



Factory manager explains production quotas to key members of his staff

To get the steel, he resorts to a practice that has scandalized the Soviet Union for years, generated hundreds of "exposes" in the Communist press—and without which the Soviet Union's entire distribution system would grind to a virtual halt, if not fall apart completely. He sends a "talkach."

**Under-the-counter deals.** The talkachi are, literally, "pushers." Armed with funds for entertainment, gifts, or outright bribes, the rolling mill's talkach visits steel mills to pry loose an extra supply for his chief. On the books, the talkach is carried as, say, an engineer, his expenses as those for a visit to "study leading experience" in other cities.

Eventually, the talkach finds a mill willing to sell part of its 5% throwaway reserve—the set amount of production that the planners allow most industries to write off as spoiled or waste. The steel mill director might give easier terms to an auto manufacturer's talkach, in return for the promise of a car, or arrange a barter agreement with a factory manufacturing new equipment that his plant needs.

Because Soviet railroads are overloaded chronically, the rolling mill may not receive its under-the-counter steel for some time, and then

at sporadic intervals. Sometimes, this requires the plant to operate at a slower tempo than usual. To compensate for this, the Soviet director then may ask his workers to stay after hours or work on days off to be sure the quota is fulfilled—and that they all get their bonuses. This practice, "storming," violates the labor input norm set by the regional economic council.

**Desperate measures.** The Soviet manager sometimes takes more desperate measures. He may cut back quality—or even ship unfinished products. One year, Kazakhstan's collective farms received hundreds of tractors without carburetors. Turbines this year were delivered to power stations for "completion" on site.

The enterprise director often chooses not to install new equipment designed to increase labor productivity or produce better quality goods, even if the equipment has been allocated along with credit from the state bank. The reason is that time lost on installation might prevent the factory from fulfilling its quota in that period.

A rule adopted one year ago may be having some effect. It allows a greater portion of above-plan profits to be channeled into the enterprise



**Factory manager** ponders ways to meet ambitious production targets . . .



**Tractors** and other products work all right. But how about spare parts?



**Haggling** over quotas—a hotter issue than prices—is time-consuming.

fund, hence into bonuses, if the results are from technological improvement.

## IV. Bureaucratic watchdogs

Watching over the enterprise director's shoulders are several bureaucratic watchdogs. The most imposing is the State Control Commission, whose members perform a kind of inspector general function with periodic visits. The State Bank is another control; it keeps tabs on the legality of a company's transactions by controlling the enterprise's money and credit.

Inside the factory, the director works under the eyes of the Communist Party bureau chief and also the chief accountant, appointed to his job by higher authority. These controls are relatively ineffective, since these men, too, are judged by

the plant's performance. In a kind of community relationship, they tend to look the other way when, say, a talkach goes out on a mission.

The press gives the enterprises a bad time. *Izvestia*, the state newspaper, on occasion sends a team of reporters into a plant on a "raid," to sniff out irregularities and write them up in an expose. Other newspapers publish letters from workers complaining about factories.

**Close supervision.** One of the Soviet Union's more important enterprise directors is Grigori A. Surguchov. A heavyset, gray-haired man who peers genially from behind steelrim spectacles, Surguchov runs the large Krasni Proletari Machine Tool Plant in Moscow.

Surguchov says his work is "closely supervised." The Moscow Economic Council stays in "constant contact" with telephone calls and personal visits. In addition, Surguchov writes monthly reports that are channeled through the council up to Gosplan-U.S.S.R.

"The State Control Commission

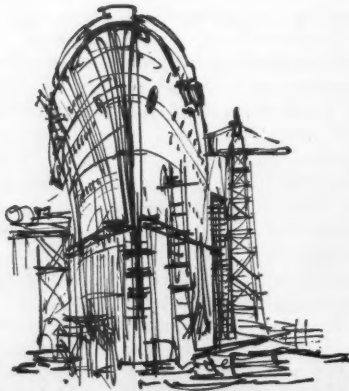
comes around only when things are going badly," Surguchov says. The last visit was four years ago.

His customers are only those enterprises with a "fond"—purchasing authorization—from Gosplan. These are handed down from Gosplan-U.S.S.R. to the republic-level Gosplans, and from there to the regional economic councils, which parcel them out among factories.

Only with the major "customers" does Surguchov handle details by telephone or telegraph. Most of the time he uses mail.

**Pricing gauge.** The plant manufactures close to 15,000 universal, or multipurpose, lathes a year, along with some special tools and individual components such as needle bearings. Since most of this production is considered of "All-Union" importance, Surguchov's prices are determined mainly by Gosplan-U.S.S.R. Items considered of "republic" importance are priced by the republic Gosplan. Commodities rated only locally important get their price from the Moscow Economic

## Heavy industry gets top priority





Council; at this level, customers are permitted to haggle over price.

If Surguchov's factory comes up with a new piece of equipment, the factory has a special committee to "nominate" a price. But the appropriate planning level must confirm it. In theory, the price is based on cost of materials and labor.

**Major decisions.** Although Surguchov can't make a major investment decision on his own, he proposes them to planning authorities for approval or disapproval. For very minor investments, such as alteration of a loading platform, Surguchov can dip into the enterprise fund.

Among other things, the enterprise fund is used for social services for the workers and their families. "I sent 2,000 children to summer camp this year," Surguchov says, "That makes me quite a father."

Surguchov's factory has a trade union any capitalist would enjoy working with. There's virtually no friction between "management" and "labor"; there's never a strike.

Like all Soviet trade unions, the one at Krasni Proletari Machine Tool Plant has the same goals as the manager—to increase production and efficiency. Together, workers and management are rewarded according to the plant's performance.

## V. Using people for machines

Russians never tire of telling visitors—particularly those from underdeveloped countries—that the Communists have found the secret of moving from backwardness to industrialization in only a generation.

The Soviets neglect to tell the rest of the story: that the Kremlin way, involving much pain and sacrifice

for the people it is supposed to benefit, puts machines always ahead of men, sacrifices today's consumption for tomorrow's.

**"Scarcity" economy.** Basically, the Soviets have a scarcity economy, with a built-in seller's market.

To reach their present economic level, the Russians have depended to some degree on foreign capital. A little came in during the 1920s; World War II brought more, in the form of machinery, equipment, and other capital goods from the U.S. and other allies. Besides that, the Soviets helped offset their war losses with "reparations" and return of "property stolen from the U.S.S.R." in all the nations the Soviets occupied.

On balance, however, almost all capital for Soviet economic development has been obtained internally by restricting the consumption of the Soviet people and devoting an unusually large percentage of the national income to investment.

**Bigger pie.** Today, a larger percentage of national investment is going to heavy industry than ever before. To be sure, the Russians are enjoying a higher living standard today. But not because they are getting a bigger slice of the national income. The pie simply is bigger.

Before the Revolution, consumer goods accounted for two-thirds of Russia's industrial production. This share has dwindled until now it is only one-fourth. Capital goods production in the 30 years preceding the Seven-Year Plan increased by 50 times; output of consumer goods has risen only 11 times.

The same pattern will hold. The Plan calls for capital goods output to go up by 85%, while production of consumer goods is scheduled to rise only 62%.

Soviet peasants have borne the brunt. Until the agricultural reforms in the 1950s, collective farmers were

assigned compulsory delivery quotas at artificially low prices that amounted to confiscation.

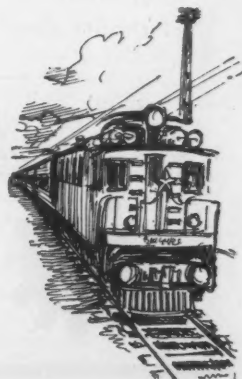
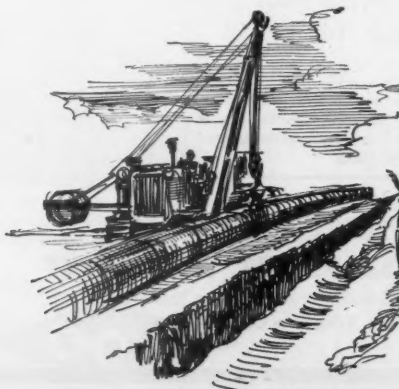
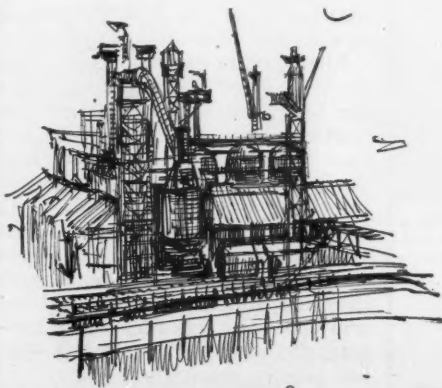
Much higher prices were allowed for deliveries in excess of quota in order to give farmers some incentive, but flagging production showed the system was not working well. So in 1953, 1956, and 1958, agricultural prices were raised, reducing to some extent the direct state reliance on agriculture for generation of capital.

**Turnover tax.** Since farmers are consumers—and almost half the population is still engaged in agriculture—they still are paying heavily for capital investment in industry through the so-called turnover tax, which amounts to an extremely stiff sales tax. Even in the decade 1931-40, this source is said to have accounted for between half and two-thirds of all Soviet government income annually.

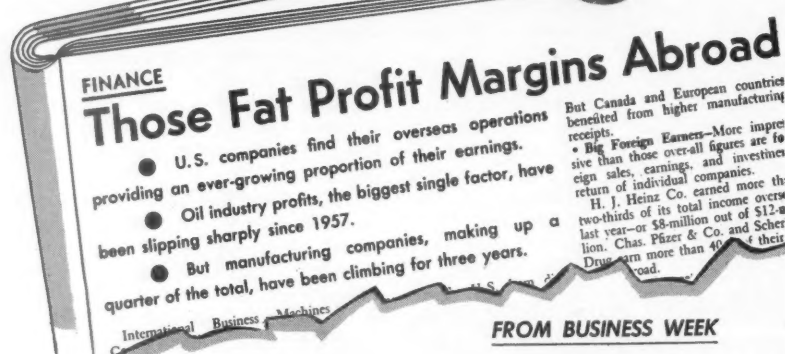
This tax, together with profits from industry, currently supplies more than 90% of government revenue. The income tax, which doesn't amount to much but which is being abolished with much propaganda fanfare, accounts for the rest.

The turnover tax, besides raising revenue for investment, discourages consumption through the resulting high prices. It also channels consumption into socially "desirable" directions. For example, there's a high tax on vodka and private autos, a low one on children's clothing and airline fares (air transport is being encouraged for passenger travel).

**Consumer goods prices.** Just how high turnover taxes must be—they're rarely stated precisely—is evident from consumer goods prices in the Soviet Union. A refrigerator, small by American standards, costs 310 rubles (one ruble equals \$1.11 at the official rate); a medium-size television set, 240 rubles; men's suits, 100 rubles; a woman's cloth coat,



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140 rubles; women's hosiery, 3 to 5 rubles. Apparently, food has no turnover tax, but prices are so high that the government probably is making a good profit.

The average Soviet worker makes about 100 rubles a month, making the high prices more meaningful as a rationing mechanism. In virtually all Soviet consumer goods, of course, quality is low by Western standards.

The government, too, gets billions of rubles for its investment fund annually from sale of bonds and from deposits in savings banks.

## VI. Favorites get the nod

The Soviet Union's rate of gross investment is usually estimated at 25% to 30% of gross national product, compared with about 20% in the U. S. (American investment still is greater in absolute terms because of a larger base). This indicates that the whole answer to the Soviet Union's faster rate of industrial growth lies not in the total of investment outlays but in its structure.

While investment in consumer or service industries is minimized, investment is maximized in military and capital goods industries—which enhance national power.

Look at Soviet figures: In the 40 years preceding the Seven-Year Plan, 43% of Soviet capital investment went into heavy industry, and only 5.5% into consumer goods.

The Kremlin may be forced to give increasing attention to backward transportation and service enterprises. If so, the Soviets may run into trouble sustaining the investment rate for industrial expansion. Agriculture, too, needs capital.

Even now, funds are spread thin among too many projects, Khrushchev told the Party Congress last week. He suggested no more starts until some of the 100,000 projects now under way are completed.

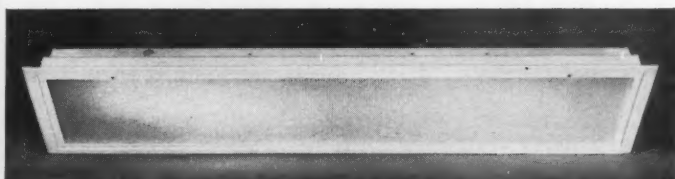
**Allocation by formula.** Even within the huge investment fund earmarked for heavy industry, allocations are made under a formula that, in contrast to the U. S., singles out "leading sectors" of the economy for priority on men and materials. Stalin favored electric power, steel, machine building, and, to lesser degree, chemicals. As a corrective, Khrushchev has added petroleum and natural gas. The chemical industry—petrochemicals in particular—also has greater emphasis.

**Exploiting workers.** With labor

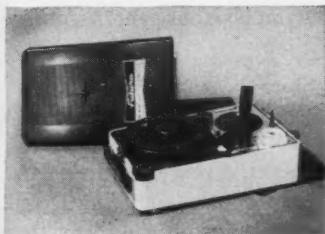
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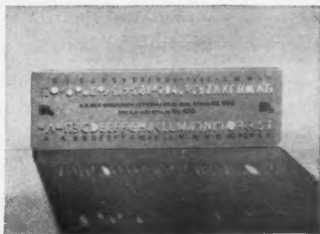
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traditionally more plentiful than capital, industry has exploited farm-to-city migration, and used workers instead of more efficient machines in many cases.

The Soviets preferred a lower capital outlay even when labor was not a major factor. Induction motors, although less efficient than synchronous motors for electric drive in industry, were favored, for instance, simply because they were cheaper to build.

Even during the Stalin era, exceptions had to be made to this policy, and approval was given to such capital intensive projects as the Dnieper Hydropower Project and the Gorki Auto Factory.

Coincident with the growing shortage of labor resulting from the low birthrate during World War II, some basic changes have been made since Khrushchev. The Soviets are preparing for wider scale automation throughout industry, with the hope that the high capital expenditure will be offset by savings on labor input and lower over-all costs.

**Priority system.** The Soviet practice of giving priorities to certain industries has brought more rapid over-all economic growth than otherwise might have been possible.

But late development of the oil and gas industry is only one penalty paid for unbalanced growth. The Soviet Union is laggard, too, in such key industries as aluminum and plastics. Transportation and warehousing, all but neglected to this day, may yet prove to be a real Achilles heel in an increasingly complex industrial society.

Agriculture is way behind. So is construction of housing and school buildings. Most Soviet schools still operate on double or triple shifts.

To put it another way, the Soviet people have paid for rapid industrialization with a substandard diet and a generally short supply of the good things in life.

### NEXT WEEK . . .

The second part of this report, appearing next week, will describe the Soviet people—how they live and work, what pressures they endure. Business Week subscribers can obtain single copies of the two-part report upon request without charge. Other copies will be billed at 50¢ each; prices on quantity orders on request. Address orders to Reprint Dept., Business Week, 330 West 42nd Street, New York 36, N. Y.





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## More news about finance:

Page 75

### Antitrust battle in banking

#### Cunard drops its plans to build replacement for Queen Mary

Cunard Steam-Ship Co., Ltd., faced with mounting losses and a dwindling share of transatlantic travel, has suddenly canceled its plans to build an \$80-million replacement for the Queen Mary [BW Aug. 5 '61, p72].

The decision produced an uproar in both political and financial circles in London. Critics of Cunard attacked it sharply for not having made the decision months ago—before the Macmillan government forced a bill through the House of Commons to subsidize the project and before substantial sums had been spent by British shipyards in preparing bids for the new liner. As the London Economist remarked: "Just in time Cunard has saved itself from being stuck for 30 years with a maritime white elephant which never had a chance of being profitable . . ."

In any event, Cunard faces a bleak prospect in the months ahead. Losses this year have mounted to the point where preferred dividends will have to be paid from reserves—common dividends may be omitted entirely. More serious, the company's share of surface travel on the North Atlantic—which itself has been declining sharply—has slipped from 33% ten years ago to about 25% today.

Cunard probably will go ahead with plans to build a new liner, even though it has lost almost all chance of obtaining a government subsidy. The new liner would be on a more modest scale, capable of being diverted to cruise duty during lean winter months. But even a new liner won't guarantee that Cunard can remain as an independent company. Pressure is mounting for a merger, with the principal candidates at the present time (1) Peninsular & Oriental Steam Navigation Co., Ltd., which has extensive business in the Far East, and (2) Furness, Withy & Co., Ltd., which competes directly with Cunard on the North Atlantic.

#### U. S. banks put out welcome mat for World Bank loans

U. S. commercial banks are emerging as a major source of development capital for the World Bank. Last week, for example, the World Bank announced three new loans totaling \$95-million for development projects in India, the Philippines, and Costa Rica. Of this figure, a total of \$2.4-million dollars was provided by 15 U. S. banks, in each case without a World Bank guarantee.

This participation may appear small on the surface,

but during the fiscal year ended last June 30, a total of \$202-million—or about one-third of all the World Bank's lending—came from sales of World Bank paper to private investors, both in the U. S. and in Europe.

According to World Bank officials, commercial banks in the U. S. buy participations in World Bank loans chiefly for public relations purposes rather than for strictly commercial reasons. As one U. S. banker adds: "We get all kinds of collateral benefits in these deals—deposits from foreign central banks and letter of credit business are just two examples."

#### Big New York bank leads the way in going after home mortgage loans

First National City Bank of New York, which pioneered in personal credit service by big banks more than 30 years ago, may be touching off another major trend—home mortgage lending by New York's giant banks.

These banks have provided some mortgage money all along—but with little enthusiasm, simply because they could earn a higher return on other types of loans. National City recently revamped its lending facilities to "greatly expand" the staff available for promoting and processing home loans. The bank says it will seek mortgage customers with the same aggressiveness it uses for nailing down a big corporate account.

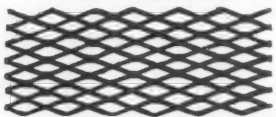


The policy change results from New York's Omnibus Banking Law, enacted in 1960, which opened suburban areas to branching by New York banks. Suburban banks are strong in the home mortgage field, and National City decided to offer this same service.



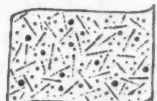
The move could nudge other New York banks into putting out the "welcome" mat for mortgages. It will mean greater competition for savings banks and savings and loan associations, which now provide the bulk of home financings.

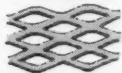
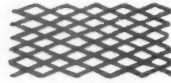




#### Finance companies unworried as Detroit eases its new-car terms to dealers



Sales finance companies this week were trying to size up the impact of a major shift in Detroit's method of billing auto dealers for new cars. Previously, the auto companies had demanded cash on the barrel head, but now GM and Ford are allowing 15 days grace; Chrysler and American Motors are refunding to the dealer the cost of financing cars over the same period.

Most large finance companies say the move will have very little impact on either volume or profits. They point out that—over the whole year—only a small proportion of cars are sold in the first 15 days after they are received by the dealer. But for some auto dealers the new method may mean a substantial saving. The finance companies say that this is all to the good, and one executive added: "We wouldn't care if the auto companies took over all our wholesale financing—we barely break even on this business."

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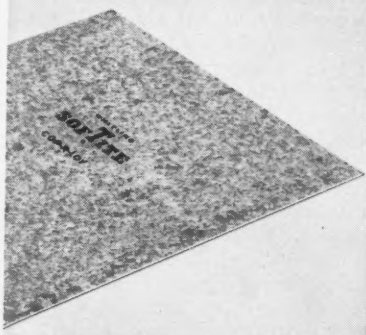
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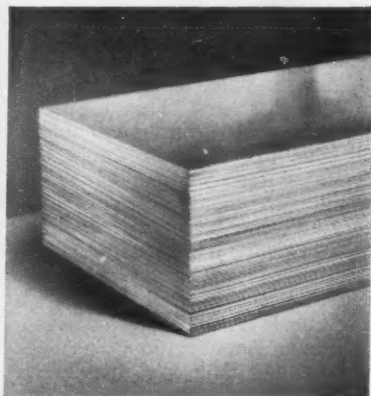
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# Banks and antitrusters battle over key merger case

U. S. court hears final arguments in suit to block merger of Philadelphia banks—a test of Justice Dept. bid for more control over bank mergers by using Clayton Act

In Philadelphia this week, Federal Judge Thomas J. Clary heard final arguments in the case of the U.S. vs. Philadelphia National Bank and Girard Trust Corn Exchange Bank [BW Mar.11'61,p52]. Clary's decision, which should come in about two months, may well influence the future structure of commercial banking in this country.

The Justice Dept.'s Antitrust Div. has sued to block the proposed merger of the banks—despite approval of the Comptroller of the Currency—on grounds that it would violate Sec. 1 of the Sherman Act and Sec. 7 of the Clayton Act.

**New antitrust tack.** The claim of a Clayton Act violation is new to the banking industry, and raises a controversy far beyond the Philadelphia banks involved. Indeed, the Philadelphia trial is a test case of the Justice Dept.'s power to use the Clayton Act to regulate bank mergers. Up to now, bank mergers accomplished through asset, rather than stock, acquisitions have been considered exempt from Clayton Act jurisdiction. But now Justice is challenging this interpretation.

Lawsuits attacking bank mergers in New York, Chicago, and Lexington, Ky., are being held in abeyance pending Clary's decision on this Justice Dept. challenge and, in all probability, a review by the Supreme Court, which plays a part in the government's strategy because Justice's lawyers feel that there's a good chance the Court will accept their interpretation.

There's every indication, too, that if Justice loses in Philadelphia, it will go to Congress with recommendations to close what it regards as a "loophole" in Sec. 7 of the Clayton Act.

**Sherman vs. Clayton.** What finally emerges will be significant not only to bankers, but also to businessmen, since merger has been the chief method used by the giant money-market banks in the East—hemmed in by laws limiting branch banking—to expand to meet the needs of

their big industrial customers. That makes the somewhat complex issues involved doubly important.

The Sherman Act—which most bankers will agree applies to banks—makes it illegal to conspire to restrain interstate commerce. But attorneys say it is difficult to prove in court that a bank is doing this. The Clayton Act, on the other hand, is much easier to enforce. It says that a mere "tendency" to create monopoly or lessen competition is illegal.

However, until the Philadelphia case, both government and private attorneys have held that the Clayton Act does not apply to a "statutory" bank merger—a merger accomplished through acquisition of assets rather than of stock. (Virtually all bank mergers are set up in this fashion.) In fact, on several occasions between 1956 and 1960, when Congress was considering revision of the U. S. bank merger law, officials of the Eisenhower Administration asked Congress to amend the Clayton Act to include statutory bank mergers. Congress consistently refused to do so, and also refused to exempt specifically banks from antitrust prosecution.

If the antitrusters can now make their claim of a Clayton Act violation stick, then bank mergers all across the country are in trouble. It's pretty difficult to imagine a merger of two large banks that don't compete with each other in some fashion.

The question of a Sherman Act violation, while highly important to Philadelphia National and Girard Trust, doesn't have the same broad significance. If Clary finds that the merger would violate the Sherman Act—which would eliminate the need to rule on the Clayton Act issue—it would simply mean that, in his opinion, the combined banks would hold too large a proportion of the banking assets in the Philadelphia area. As of yearend 1960, the actual figure was about 37%.

**Justice Dept. stake.** If Clary rules

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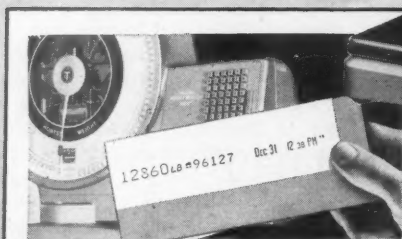
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against Justice, though, such a defeat would substantially lessen the department's influence in bank merger cases. Departing Comptroller of the Currency Ray M. Gidney—a casualty of the bank merger fight [BW Oct. 21 '61, p. 52]—thinks its influence would be reduced to the advisory role that he believes is spelled out in the 1960 federal bank merger law. In his opinion, "Bank mergers are not subject to the anti-trust laws except to whatever extent the courts may hold that the Sherman Antitrust Act is applicable."

That doesn't mean that the floodgates would be open to any and all bank mergers. State banking authorities, the Comptroller's office (shortly to be headed by Chicago bank attorney James J. Saxon), the Federal Reserve, and the Federal Deposit Insurance Corp. all have a finger in the bank merger pie.

**Crucial point.** In the Philadelphia trial, Justice and bank attorneys hammered away at whether the Philadelphia National-Girard Trust merger involves a transfer of stock (in which case the Clayton Act would be applicable) or a transfer of assets.

The banks, of course, argued that the transaction involves a transfer of assets. "Neither bank would acquire any share of any other," they said in their joint brief, "since the surviving bank would acquire the assets of the disappearing bank by operation of law." This would happen under terms of a carefully worded agreement between Philadelphia National Bank (the survivor) and Girard Trust that provides for the merger to become effective without Girard shareholders giving up their shares; after the effective date, they would be allowed to convert their old Girard shares into new PNB stock.

The government views the merger in a different light. It claims that Philadelphia National, at the effective merger date, actually acquires the Girard shares. This means, it contends, that Girard shareholders will give up whatever rights they have as Girard shareholders in exchange for comparable rights in the "very different property of PNB."

**Up to court.** This technical argument will be for Clary to determine. If he does not decide it, he still will have to rule on the narrower issue of a Sherman Act violation. The bankers, for their part, say Justice can't even prove its claim of a Sherman Act infringement, and anyway, bank mergers—under the 1960 law—are subject to review only by federal banking agencies. **End**



## Harmonics to Horsepower... everything goes piggyback via General American

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More news about labor:

Page 83

NLRB shifts its course

## Costly strike against Southern Airways stirs discontent in pilots' union

Failure of its 16-month strike against Southern Airways Co. is seriously worrying the Air Line Pilots Assn. on three counts:

- The strike has cost the union \$2-million.
- It has touched off discontent within the ranks against ALPA Pres. Clarence N. Sayen.
- And, by illustrating the comparative ease with which nonunion pilots can be recruited, it may—the union fears—persuade other airlines to harden their bargaining line against ALPA.

As a counter stroke, ALPA has moved to reopen its other airline contracts for amendments to permit members to honor picket lines of any carrier operating with alleged strikebreakers. This would restore the "bargaining balance" destroyed by the carriers' mutual aid pacts and mutual subsidy through interline picketing agreements, ALPA says. The effect could be to cut off all airline service to the 61 cities served by Southern. ALPA hopes that this possibility will trigger the appointment of a Presidential fact-finding commission.

A federal injunction currently bars sympathy strikes against other carriers. The proposed amendments presumably are designed to supersede it.

Previous attempts to enlist the federal government's aid against Southern have failed. The Civil Aeronautics Board continued Southern's postal subsidy despite ALPA charges that the airline refused to bargain in good faith under the Railway Labor Act. The Federal Aviation Agency refused to restrict Southern's operating authority after checking more than 200 alleged safety violations filed by ALPA against the nonunion pilots. Union pressure for a Congressional investigation came to nothing.

Member dissatisfaction with the failures has resulted in the forcing out of Larry Cates, ALPA's Washington representative, who was identified with the Sayen administration. And dissidents have threatened a special meeting of the union's board of directors to consider "radical and dramatic" action against Southern.

## Union-management cooperation puts American Viscose plant back in the black

A union that worked with management to pull it out of the red received the plaudits of a local Chamber of Commerce last week.

The union—Local 6 of the Textile Workers Union of

America—represents production workers at the American Viscose Corp. plant in Lewistown, Pa. The plant's payroll accounts for 40% of the area's economy.

When a mounting deficit generated rumors that the plant might close, the union opened talks with management aimed at increasing efficiency while protecting union conditions. Over two years, the meetings resulted in operating economies, rearranged work loads, and a reduction of the work force—both production and clerical—from 2,600 to 2,300. Where changes produced heavier work loads, wages were raised.

Recently the plant went back into the black. Currently it is operating at capacity.

Last week, Lewistown celebrated. Highlights of the oratory in a busy Avisco Rayon Week were laudatory comments by one of the week's sponsors—the Lewistown and Mifflin County Chamber of Commerce—about the other, Local 6.

## National Mediation Board asked to act in deadlock between railroads, 11 unions

The National Mediation Board has been asked to intervene in a deadlocked contract dispute between the nation's railroads and 11 nonoperating unions representing half a million off-train workers. The unions asked the NMB to step into the dispute under the Railway Labor Act as bargaining deadlocked.

The carriers have rejected union demands for a 25¢-an-hour wage increase and six-month notices before layoffs. The labor organizations have turned down employer proposals of a wage freeze for skilled workers and a 20% reduction in pay for the unskilled and those newly hired.

## USW rebel bloc leader sues to overturn election of McDonald

Donald C. Rarick, a rebel bloc leader in the United Steelworkers, sued in federal court this week to upset the uncontested reelection of USW Pres. David J. McDonald in 1961 for a four-year term. Rarick ran against McDonald in 1957 but failed to qualify for a place on the ballot in the last election.

The suit filed in Pittsburgh is based on a decision Oct. 11 that voided the election of a USW District 20 director, on charges that the union's nomination and election procedures do not comply with Landrum-Griffin "equal rights" requirements. The decision (under USW appeal) came in a case filed by Nick Mamula, another anti-McDonald faction leader.

Generally, the suits are considered in USW as more harassment than threats. McDonald's control of the union does not appear weakened in any way. The litigation undoubtedly will be protracted—USW is prepared to take its defense into the Supreme Court if necessary.

# NLRB shifts its course with Democrats in driver's seat

The Kennedy board already has reversed rulings of the old board on such important issues as agency shop and picketing. And it has other policy changes under study

The Kennedy Administration's most vital thrust into labor-management affairs is coming from the "new" National Labor Relations Board. It already has struck down several key decisions of the Eisenhower era and is making a wholesale review of Taft-Hartley rules for unions and employers.

So far—and the trend seems certain to continue—the board's reversals are showing up in favor of the unions. Before it's over, the five-man agency is likely to rewrite federal decisions affecting such important areas as union organizing and picketing, civil rights, employer practices in hiring, and handling unions.

**Tougher attitude.** With a Democratic majority of three, the five-member board makes no secret of its intentions. Chmn. Frank W. McCulloch warns that the NLRB will get tougher on both management and labor. But it's clear that the "stick technique" McCulloch describes will be aimed principally at employers [BW Sep. 23 '61, p121].

The prospective changes will come under the old Taft-Hartley rules and those added to it by the 1959 Landrum-Griffin law. It is the board's job to apply such rules in handling unfair labor practices and union representation elections—but the makeup of the board actually sets the direction it will go. In addition to McCulloch, the board's Democrats are John H. Fanning (an Eisenhower appointee) and Gerald A. Brown. The Republicans are Boyd Leedom and Philip R. Rodgers, both Eisenhower appointees.

During the Eisenhower Administration, the labor board reversed more than a score of important rulings by earlier boards operating under the Democrats. It's likely that the McCulloch-led agency will top this record and also invade ground that previous boards have not touched.

**Significance.** Its effectiveness is such that union leaders are anticipating substantial help in opening

the South to union organizers. The way the agency interprets picketing rules can help to make or break a dispute with an employer, and what it holds as permissible bargaining demands can affect a union's strength at the bargaining table.

For employers, the board's leanings are particularly vital where resistance may be applied to invading unions—or in determining which of several unions management must bargain with. There's no doubt that the board, first intends to make its orders hit home faster without the traditional legal delays that have been built into Taft-Hartley Act application.

## I. The new directions

Now being mulled over at the agency's brand new headquarters two blocks from the White House are these possible shifts:

1. Tougher penalties against an employer who illegally breaks up a union organizing drive, possibly—in McCulloch's words—"by saddling the employer with the union for a 12-month period."

2. Court injunctions against employers who refuse to bargain "in good faith" after a union is certified. They might be ordered to embody existing conditions in a written contract and a pledge to give and take in negotiations.

3. A test of an employer's right to cite union integration practices in an attempt to avoid union representation at his plant—an issue that is reaching the agency in increasing frequency, particularly from the South.

4. Easing picketing curbs applied by the Eisenhower board in its first interpretation of 1959 Taft-Hartley changes. This would determine how much "publicity picketing" a union could use against an employer it has failed to sign up.

Actually, these and other key issues must be determined through specific cases that come to the board. However, if it chooses, the agency



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may take a previously decided case and accept it for review. If this happens, it means the board intends to alter the earlier decision.

## II. The first changes

The trend of the labor agency was signaled recently in two important decisions—the first key reversals by the McCulloch board.

**Agency shop.** In one case, involving General Motors Corp. and the United Auto Workers, a four-to-one majority overturned the previous board's ban on the agency shop—a union security clause that requires nonunion workers covered by the plant contract to pay "service fees" to the representative union. In the decision, which the National Assn. of Manufacturers described as "strained reasoning," the board held that Taft-Hartley permits unions to demand any modified type of union security agreement. General Motors claims that it specifically allows only the union shop—requiring union membership after 30 days.

The second ruling, involving the Hod Carriers and the Calumet Contractors Assn. of Indiana, shows clearly the shift in thinking of its new members. With Leedom and Rodgers dissenting, the majority held that the Hod Carriers' seven-month picketing against Calumet was legal—despite the Taft-Hartley 30-day limitation on organizational picketing and even though another union represented workers.

The decision reversed the earlier ruling that the Hod Carriers demand on Calumet to pay Hod Carrier wages to members of the incumbent union was really an attempt to organize the employer.

## III. Philosophical shifts

Though the NLRB denies political leanings as such, there's little doubt that the makeup of the board follows the theories of the Administration in power. With Congress generally unresponsive to major changes in the Taft-Hartley Act, the agency itself has become the target for persuasions of employers and unions—and it is in this arena that major shifts in handling unions and employers are felt.

In board appointments, there's no rule on dividing the membership according to political affiliation, though under Eisenhower two Democrats served on the board. It is the remaining Democrat from the Eisenhower board, Fanning who now provides the key to the change. In cases involving his previous dissents, Fanning is now voting with the majority

in the major cases being reviewed.

Taft-Hartley Act interpretations, of course, stem from the same set of rules. The division exists, philosophically, from a view of the law as either furthering collective bargaining—which it spells out—or protecting the rights of employers to resist unions legally (as well as protecting unions), which are also a part of its rules.

**Civil rights case.** For instance, board members are preparing a test case in the vital civil rights area. In doing so, they rejected a trial examiner's finding that the Allen-Morrison Sign Co. did not illegally interfere with a United Textile Workers representation election when it cited—in letters to employees—the AFL-CIO policy of "promoting integration."

While board officials concede the employer's statement may be true, the question they want to test is whether this is a legitimate employer defense or whether it violates the law's requirement for "unfettered elections."

**Subcommittee report.** The tipoff in the board's new directions, indeed, is supplied in a lengthy report on the NLRB by a House labor subcommittee, headed by Rep. Roman C. Pucinski (D-Ill.). The report was drawn out of extensive hearings on board operations and released after Congress failed to approve Pres. Kennedy's reorganization proposal to speed up NLRB operations.

Among a number of recommendations to the board to change its directions, the Pucinski report suggests that the "race hate" issue be handled in a board decision so that it may eventually be resolved by the Supreme Court.

The committee also proposed that the board grant unions the right to appeal to an employee audience called by the employer before a union representation election; that the board use the discretionary injunction against an employer who discharges a union supporter; and that the board seek Justice Dept. action against "community outsiders" who join an employer in resisting union organizers.

**Minority view.** According to the subcommittee majority, the Taft-Hartley Act's aim "to encourage the practice and procedure of collective bargaining is not being effectuated." The subcommittee minority—Reps. Clare E. Hoffman (R-Mich.) and John M. Ashbrook (R-Ohio)—challenges that the majority's "immediate objective is to set the stage for a dramatic change in policy and interpretation of the law by the present Kennedy board." **End**



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# Still more boom for Europe

**Twentieth Century Fund's new study predicts phenomenal growth by 1970**

An almost phenomenal growth of the European economy by the end of this decade is mapped out in great detail by a new Twentieth Century Fund study, Europe's Needs and Resources. The implications are tremendous for American companies manufacturing in Europe, for those doing business in almost any part of the world, and for economists concerned with the U.S. balance of payments in coming years.

**Predictions.** Here are some of the conclusions that can be drawn from the Twentieth Century Fund projections to 1970:

- Europe will increasingly become a prize market for U.S. companies that produce within its borders—and, of course, for European companies themselves.

- To some extent, American exporters will find a growing market, but the share of finished goods in Europe's total imports will be cramped, placing a greater premium on the ability to manufacture in Europe.

- American exports of basic farm commodities to Europe will probably decline drastically by 1970.

- In third markets—mainly the less-developed countries—European exports will be a strong threat to American products—particularly in capital goods.

- But Europe in 1970 may have an Achilles heel in the form of the combined balance of payments. Its needs for imported raw materials and fuels will be so great that even an optimum performance by European exporters, as projected in the study, will leave a payments surplus relatively weaker than that of today. And if European exporters slacken their efforts, the projected surplus could be much weaker.

The massive 1,200-page tome

	In 1955		in 1970	
	Population [in thousands]	GNP per capita [1955 prices]	Population [in thousands]	GNP per capita [1955 prices]
Austria	6,974	\$ 551	7,030	\$ 823
Belgium	8,868	1,076	9,267	1,569
Denmark	4,439	934	4,905	1,316
Finland	4,241	666	4,907	963
France	43,279	932	47,524	1,400
Germany [incl. Saar & W. Berlin]	52,393	847	56,970	1,182
Greece	8,367	259	9,370	378
Iceland	158	924	191	1,288
Ireland	2,921	515	2,800	728
Italy	48,062	454	50,900	747
Luxembourg	309	1,194	310	1,674
Netherlands	10,751	732	12,320	1,072
Norway	3,429	953	3,853	1,365
Portugal	8,765	207	9,906	289
Spain	28,975	276	32,574	403
Sweden	7,262	1,201	7,682	1,787
Switzerland	4,977	1,281	5,494	1,817
United Kingdom	51,220	1,047	54,100	1,362

Data: The Twentieth Century Fund

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traces Europe's postwar recovery and then projects its growth from 1955 to 1970. As the first comprehensive look at 1970 to be published, it will doubtless serve as a benchmark for market researchers and economists for several years to come.

Five years of research and \$200,000 have gone into the study, which complements a similar study of the U.S. economy, America's Needs and Resources, published by the fund in 1947 and 1955. A team of American and European economists led by J. Frederic Dewhurst, former executive director of the Twentieth Century Fund, combed the statistics of 18 West European countries and assessed their meaning. Co-authors were John O. Coppock, economist with the International Cooperation Administration and former Paris correspondent of Business Week, and P. Lamartine Yates, an official of the U.N. Food & Agriculture Organization.

## I. Production and consumption

Key indicator of growth is gross national product, the figure into which all other projections fit. For Western Europe as a whole, this is expected to mount to \$342-billion by 1970, up 54.8% from the 1955 base of \$221-billion. All 1970 figures are deflated, however, in that they are estimated in 1955 prices. By 1960,

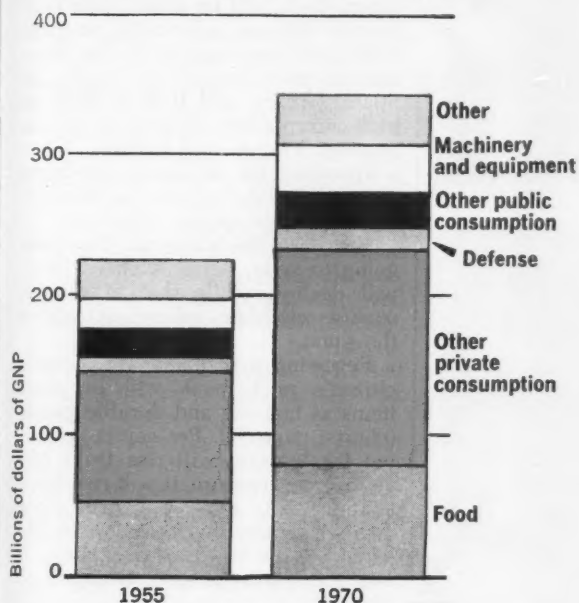
GNP growth was quite a bit ahead of target at \$278-billion. Thus, in one-third of the allotted time, GNP racked up some 47% of the projected gain—but it may taper off later.

**Buying power.** The marketing implications are spelled out by GNP per capita, which is a more useful measure of buying power. Because Western Europe's population will rise by 8.4% to a total of 320-million by 1970, per capita GNP will, of course, increase by a smaller percent than total GNP. But it will still rise to \$1,067, a cheering 42.8% from 1955's \$747.

By 1970, Europe's richest markets in terms of per capita GNP will be virtually the same ones as today: Switzerland, Sweden, Belgium, Luxembourg, and Britain. Gains will be greatest in Italy, France, Austria, and Sweden—and less in Britain and Germany, while other countries' per capita growth will fall in between. The European average in 1970 will still be a far cry from America's per capita GNP of \$2,791 in 1960 (in current prices), but the comparison is not entirely apt. Since European averages are expressed in dollars at official exchange rates, they tend to reflect something less than actual buying power within each country.

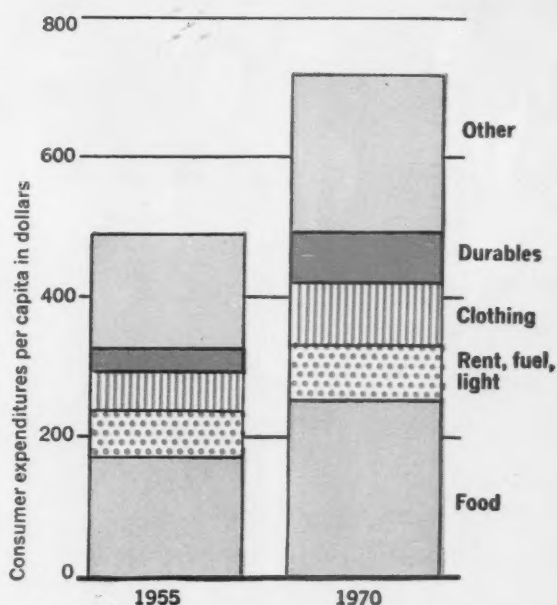
**Consumer spending.** Consumer spending will rise faster than GNP, accounting for a larger share of GNP in 1970 than it does today (chart,

## The big gain will come in consumer spending...



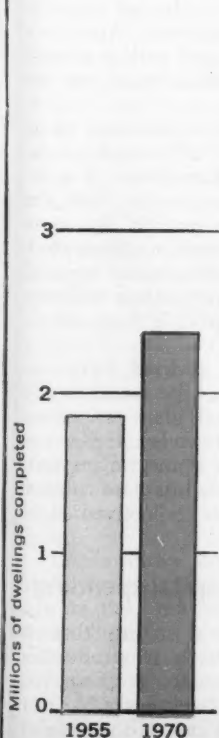
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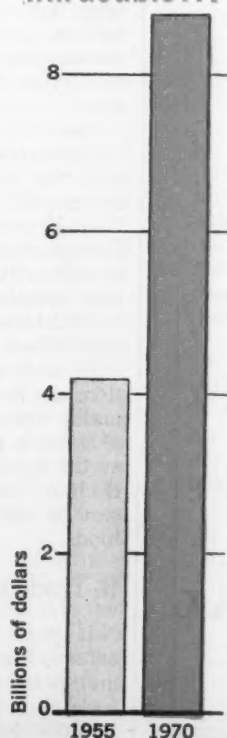


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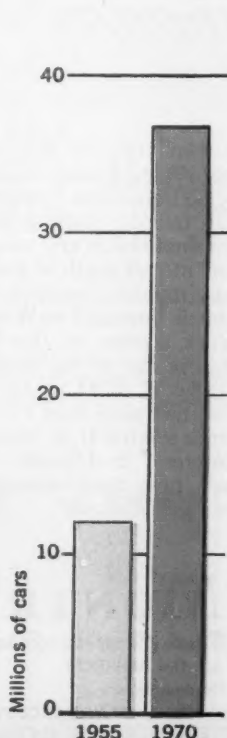
### Housing will rise sharply...



### Spending for appliances will double...



### Autos will more than double



To reach these goals, Europe must invest \$785-billion by 1970

[In billions]  
Fixed investments ..... \$750

Nonresidential ..... 575

Mfg., mining,  
utilities & ind'l  
const. .... 250  
Transportation .. 100  
Agriculture, forest-  
ry and fishing .. 50  
Services ..... 90  
Public works .... 85

Residential ..... 175

Changes in inventory ..... 35

**Total ..... \$785**

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page 87). Over-all it will rise to \$230-billion, up 59% from 1955's \$145-billion. Per capita, the projected 1970 average of \$719 will be 46.7% above the base year average of \$490. Here again, there will be great variations among different countries, ranging from \$460 per capita in the low-consumption countries, such as Spain, Greece, and Italy to \$925 in high-consumption nations such as Sweden, France, and Britain.

Spending for all major consumer items obviously will rise in absolute terms as per capita spending expands. But the share of the total going to some items, such as food, will decline, while that of others, such as clothing, will remain about the same.

Receiving a bigger share of each citizen's pocketbook will be such items as housing and durable goods (charts, page 87). Per capita spending for housing will rise from \$33 to \$51; for furniture, it will rise from \$15 to \$23. For appliances, per capita spending will nearly double from \$14 to \$27, and for autos it will more than double, from \$9 to \$22.

**American-style economy.** This increase in spending for autos will mean a tripling of the passenger car population—from 11.9-million in 1955 to 36.5-million in 1970. Along with the rise in other durables, this suggests that Europe will be approaching an American-style economy. As in the U.S., the auto will become a major factor in the economy, with annual sales of some 5-million approaching America's present-day rate, and with a growth of service industries based on the auto.

There are other indications of an "Americanization" of Europe's economy by 1970. Education, for instance, will begin reaching into the 15-to-19-year age groups. As more European youths continue their studies in secondary schools and beyond, total spending on education will soar to \$9.2-billion, up 73% from 1955's \$5.3-billion.

In such areas as food consumption, an American-type trend is also under way. As a higher proportion of women join the work force, and as the number of domestic servants decline, eating habits are almost sure to shift to more "convenience" foods.

### II. Trade and capital spending

It goes without saying that to achieve this growth in production and personal income, Western Europe must plow back a sizable portion of GNP into capital investment.

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As the share of GNP going into consumer spending rises, capital formation's share will decline slightly—from 20% in 1955 to 18% in 1970. But in absolute terms the total will rise from \$45-billion to \$63-billion. This implies a continuing healthy market for capital goods and construction, and over the 15-year period, it adds up to a sizable sum (chart, page 87).

**Import picture.** The weak point in Europe's growth may turn out to be its foreign trade, for Europe's imports of raw materials and fuels will soar to feed this growth. The share of food in its imports will decline, and the percentage of manufactured goods may decline or remain steady. But these will be offset by rises in the share of the import bill that is going to ores, base metals, and fuels.

Europe's energy needs that cannot be met internally—measured in terms of tons of coal—will rise from 182-million tons in 1955 to 425-million in 1970. Of this, 25-million tons is expected to be met by imported coal, and the rest by imported oil. This could mean a fuel bill of \$7-billion, double the 1955 figure—and that's a conservative estimate. It could easily mount to nearly \$9-billion, the authors reckon.

Thus, Europe's imports will rise at least as fast as its exports. Europe's total trade with the rest of the world in 1970 will break down into exports of \$23-billion to \$24-billion, and imports of \$25.5-billion to \$27-billion. The trade deficit, as today, will be offset by an estimated \$5-billion income from such "invisibles" as shipping, insurance, and tourism. This would leave a surplus on current account of some \$2-billion, about double the 1955 figure. By last year, Europe's surplus had just about reached this favorable figure, in terms of 1955 prices.

**Investing abroad.** However, if Europe does no better than this by 1970, it would mean a weaker payments position. Today, most of Europe's favorable balance is stashed away in reserves, but by 1970 the Europeans will be almost forced to invest most of their surplus abroad—partly to develop export markets and partly to develop foreign natural resources to provide the raw materials and fuels that they will require.

The authors make it clear that their estimates of exports by 1970 are on the optimistic side. Whether these figures are achieved will depend largely on how much Europe invests to create markets for itself in the developing countries of Asia, Africa, and Latin America. **End**

## Let's Talk Canada



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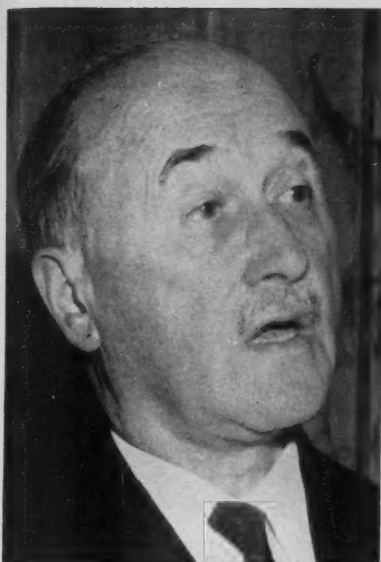
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**Jean Monnet** was creator of France's postwar method of economic planning.



**Etienne Hirsch** extended Monnet's system to include whole economy.



**Pierre Masse** is fitting together France's Fourth Economic Plan.

# French planning may set pattern

U. S. and Britain are studying France's economic planning mechanism to see whether they should adopt parts of it to promote a steadier rate of growth

A delegation of British officials, industrialists, and economists spent two days last week in Paris getting a close-in look at France's recently announced "Fourth Economic Plan" and at the whole French planning mechanism.

To the members of the British group, who had played host to French planning officials in London last April, France's method of planning has more than academic interest. They see it as a working model of the kind of planning the Macmillan government has decided to launch in Britain [BW Sep. 9'61, p47].

This British decision, in turn, is stirring considerable interest in Washington, where the Council of Economic Advisers has been exploring tentatively whether to apply at least part of the French system to the U. S. economy, so that this country could enjoy a higher and steadier rate of economic growth [BW Oct. 14 '61, p34].

**Politically inspired.** France's postwar method of economic planning is fairly unique in the Western

world. Started in 1947, the system has evolved over the years from a politically inspired undertaking to a hard-headed system whose backers today include nearly all private French businessmen. While France in its hectic postwar period has lived under two dozen governments and two republics, the French planning system has been directed and refined over the years by only three men—Jean Monnet, Etienne Hirsch, and the present head of the Planning Commission, Pierre Masse (pictures).

The "concerted economy," as the French call their system, is a half-way house between an economy controlled directly by the state, as in the Soviet Union, and one in which the various sectors—as in the U. S.—operate without knowing for sure where they fit into the over-all picture.

**Big stick.** While the French plan draws its main strength from having business and labor share in its creation, the government does have means of seeing that the plan's objectives are followed. For one thing, in a mixed economy like France's,

one-third of gross investment is public investment.

Then, too, government's indirect control over credit backs up the plan's goals. Both medium- and long-term loans over certain amounts must first be submitted to the National Planning Commission. Dividends not exceeding 5% of paid-up capital are exempt from corporation taxes—provided they are related to investment authorized by the plan. And certain price levels, in steel, aluminum, utilities, and autos, still are subject to state control.

**Fourth plan.** Rightly or wrongly, French planners take considerable credit for their country's annual GNP growth of 4.5% over the past decade. This puts French growth slightly behind that of West Germany and Italy, but far ahead of that of the U. S. and Britain.

To make sure that this economic growth continues, the French government last week announced the broad outlines of its Fourth Economic Plan [BW Oct. 21'61, p69], covering the period 1962-65. It calls for a GNP increase of 24% over the



*Chaseman Hugh F. Culkin displays the wares of one of his small business customers.*

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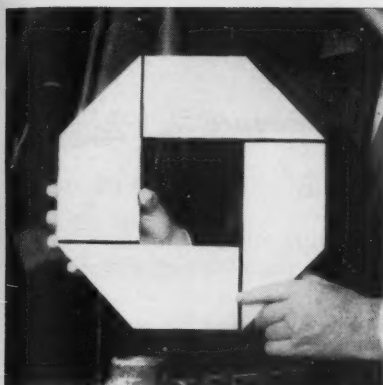
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four-year period, or a hefty annual GNP growth rate of 5.5%. Unlike previous plans, which in the main concentrated on industry and agriculture, the Fourth Plan emphasizes social investment—in schools, hospitals, sports programs, and badly needed roads. Outlays of this sort will jump 50% during the four-year period.

While the goals are impressive, what really interests London and Washington is the way the French go about blueprinting the future course of their economy—especially how the French planners keep capital investment by government and private industry geared to a jointly agreed projection of future over-all demand.

The French would like to see not only Britain but West Germany and Italy adopt their planning approach. Then a more effective system of multilateral economic planning might be worked out within the European Economic Community (EEC).

**How it started.** France's system of economic planning was born in the liberation period of 1945-46. The government in Paris, then led by Gen. Charles de Gaulle, was dominated by left-of-center ministers, including Communists. This political atmosphere sparked waves of nationalizations in industry, banking, and insurance—and a demand for a state-planned economy. The result was the First Plan in 1947, with Jean Monnet at the helm.

Monnet probably enjoyed more economic power while running the First Plan than has any French official since. This power, of course, was based mainly on his control of U. S. aid funds, and it was expected that the plan would lose much of its direct influence over the French economy when this aid dried up. To some extent, this did happen.

Yet Monnet's method of planning—still in use today—largely explains why the plan continues to play a major role in shaping the French economy. It also explains why few French businessmen today knock the plan's operation.

**Hirsch takes over.** Monnet left the plan in 1952 to head the new six-nation Coal & Steel Community. But his method got its first real test under the Second Plan (1954-57). The plan was extended to all major sectors such as agriculture, housing, and general manufacturing. Etienne Hirsch, a former Monnet aide, was put in charge of this important transitional period. Hirsch's main task was to prove that Monnet's original planning method could embrace the whole economy—and be effective

without a U. S.-financed stick-and-carrot operation.

Fortunately for Hirsch, this task coincided with the establishing of a national accounts system in France. For the first time, French planners had a reasonably accurate tool to measure their economy.

By 1957, when the Second Plan came to an end, Hirsch could boast that all goals had been surpassed, although in the process imports and exports got out of whack, and a tight labor market led to sharp wage hikes.

The Third Plan (1958-61) also ran into trouble. This time, the plan's goals had to mark time during the 1958-59 de Gaullist economic austerity period, when the GNP inched upward by only 2.5% each year.

By 1960, however, the economy was again in high gear; and by the end of this year, when the Third Plan winds up, the bulk of the Third Plan's goals will be achieved.

**Masse's job.** Acceptance of the National Planning Commission by both business and labor stems directly from years of experience with the so-called Monnet planning method. To see how this method works, take a closer look at the way the Fourth Plan (1962-65) was put together. The work was directed by Pierre Masse, a former utility official, who took over from Hirsch in 1959.

The Fourth Plan, like those before it, was put together in three steps. Initially, Masse's staff drew up several production and consumption hypotheses. For example, three GNP growth rates—3%, 4.5%, and 6%—were taken as working goals. After consultation with other government bodies, it was decided that 3% wouldn't permit full employment, while the 6% rate might spark foreign exchange difficulties. Masse finally settled on a 5% GNP growth rate. This step took a year.

The second step got down to bedrock realities. Here, the plan was worked out in detail by 20 vertical committees dealing with specific industries or common problems such as financing and manpower. About 3,000 committee members from business, labor, and government—serving without pay—hammered out details of the Fourth Plan within 15 months. Committee work was coordinated by Masse's staff of 40 experts.

The third and final step is formal approval by the government and Parliament, expected before the plan's starting date next Jan. 1.

The upshot is a four-year economic blueprint that has been put together mainly by the people who will make or break it. **End**



# BRIEFING

**Texaco reports on Local Airline Services for business and pleasure**



## Local airline service becomes new factor in marketing strategy

Many marketing strategists are now getting a hefty assist from local airline service. Reaching a population of over 115,000,000 in 536 cities, local carriers tap more than 90% of the effective buying power in the U. S.

One sales manager covers wide marketing areas with a small sales staff by basing his men in key centers like New York, San Francisco or Kansas City—then uses local airline flights to enable those men to cover outlying buying centers.

Most local carriers schedule flights so frequently, convenient connections can easily be made among the major markets in their territories. Just recently, **Central Airlines** stepped up service to such major trading areas as Kansas City, Wichita, Salina and Topeka. **Pacific Air Lines** now provides over 100 flights daily between 31 cities in California, Oregon and Nevada. Current route systems of all domestic local airlines are available from the Association of Local Transport Airlines, Wyatt Bldg., Washington, D. C.



**NEW RADAR-CONVAIRS** recently acquired by Central Airlines. 30% of all local plane miles are now flown by turbine or other newer-type equipment.



**OSTRICH PLUMES** and sequins for the stewardess are part of the Gay Nineties decor on Mohawk Airlines' popular "Gaslight Flights."

## Extra services give local flying added economy and comfort

Outstanding customer service is a big reason why local airline passenger volume jumped a whopping 101% in less than 5 years. Now local carriers are going all out to make local flying more convenient... more pleasant and economical than ever before.

**Allegheny Airlines**, for example, lets passengers stamp their own boarding tickets on its no-reservation commuter flights—and slashes fares by as much as 40%. **Piedmont Airlines** lops nearly 75% off the return fare on some weekend flights.

On the lighter side, **Mohawk Airlines** offers passengers free cigars and an authentic Gay Nineties decor on its "Gaslight Flights" to the beautiful New York North Country. **Aloha Airlines** even puts on a floor show en route — as ukelele-playing, native-born stewardesses entertain passengers with singing and hula dancing.

## Local carrier sets up vital air link with Glen Canyon Dam

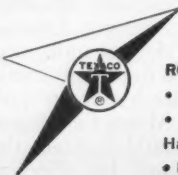
Indicative of how local carriers expand to meet business needs in their areas is the **Bonanza** air service to the site of Glen Canyon Dam — one of the world's biggest building projects at Page, Arizona.

Daily **Bonanza Air Lines** jet prop flights connect Page with Phoenix and Salt Lake City. Personnel of the major contractors on the dam and government officials are the heaviest users of these flights. In addition, Bonanza flies in a variety of air cargo — ranging from medical supplies to construction gear.



**GIANT NEW DAM** at Glen Canyon will back the Colorado up for 185 miles. Scenic flights to the dam site at Page, Arizona, can be made on Bonanza Air Lines.

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# International outlook BW

October 28, 1961

## More cooperation among West's central bankers

During 1961 there has been a steadily increasing degree of cooperation and mutual support between the leading central banks of the free world. If it continues, there's no reason to expect a serious dollar crisis next year, despite a virtually certain recurrence of a big deficit in the U. S. balance of payments by mid-1962 [BW Oct.7'61,p131].

In this year's financial cooperation, London has been the man in the middle. First it became a beneficiary of European help; then it helped to protect the dollar; and finally, it is joining the U. S. as a potential beneficiary of new standby credits that the International Monetary Fund should get in the near future.

But in this process, according to European sources, London has let the percentage of its total reserves held in gold drop from a traditional 85% to 90% down to perhaps 60%.

Not all the story has yet been told. But first take the bare facts that are well known to the international financial community:

In March, right after the West German mark was revalued, the main European central banks reached a new kind of cooperative agreement at Basle, Switzerland, to support the pound. Later a drawing of \$1.5-billion in various currencies from the IMF put London in position to repay the credits granted under the Basle agreement. Now the U. S. is sitting in with the same central bankers each month in Basle.

In September, at the IMF meeting in Vienna the financial ministers and central bankers of the free world agreed that the Fund should be able to call on the surplus countries of Continental Europe to supply standby credits if either of the key reserve currencies—the U.S. dollar and the British pound—come under severe pressure [BW Sep.23'61,p31].

## U. S.-British entente

The rest of the story has been known only to a few insiders from the New York, Paris, and London financial communities:

At the time of Britain's multiple-currency drawing from the IMF in July, there was a "gentlemen's understanding" between Washington and London that the British would not convert the \$450-million component of their drawing into gold—for fear that the sudden drop in U. S. gold reserves might lead to increased pressure on the dollar. The British put the \$450-million into a specially tailored three-month issue of U. S. Treasury securities, and can be expected to have this arrangement extended, or a comparable one opened up.

The British did not make any commitment, nor were they asked to make any, on how they would handle any additional dollars they might earn on current account. London has earned some additional dollars since then and apparently has added these to its reserves, rather than converting them into gold.

The U. S.-British understanding marks a real advance in monetary cooperation. Compare it to what happened at the time of Britain's big IMF drawing during the Suez crisis of 1956. At that time London converted a substantial portion of the dollars into gold. This didn't bother Washington then

## International outlook **Continued**

because of the strong position of the U. S. balance of payments and of U. S. gold reserves.

The longer-term significance of this arrangement should not be overrated, of course. Probably it doesn't reflect any basic shift in London's traditional policy of holding the great bulk of its reserves in gold. The British undoubtedly will make their annual \$138-million debt repayment to Washington in December out of the \$450-million. And repayments to the IMF will also be made out of their currency holdings, thus pushing up the gold ratio in British reserves.

London as well as Washington has gained something from this new collaboration. Buying and selling of gold would not only embarrass the U. S. but also is expensive for the British. By putting their dollars into interest-bearing investments, they're getting additional mileage out of their reserves.

### **Ex-Im to help exporters offer easier credit**

U. S. exporters will find it easier to offer short- and medium-term credit as a result of a new Export-Import Bank program.

Ex-Im aims to make export credit insurance available to exporters and to provide more direct non-recourse commercial financing on medium-term sales. Ex-Im also is reducing the amount of the required cash payment by foreign buyers from 20% of the invoice value to 10%.

The new and medium-term credit facilities should put U. S. exporters on a better footing than their foreign competitors as far as credit is concerned. This should be increasingly important to U. S. export sales at a time when European delivery dates are shortening and credit terms are likely to play a bigger role in decisions as to where to buy.

The export credit insurance will be handled through a new foreign credit insurance association that has been formed by 20 leading U. S. insurance companies. The association has entered into partnership with Ex-Im, which will partially underwrite its operations under new legislation passed by Congress this fall. The association is expected to be ready for business in about two months, when details of its insurance policies will be announced.

The 20 companies participating in the new association are mostly marine and casualty insurance firms. Five companies will name representatives to act as a board of governors during the first year of operation. They are: Continental Casualty Co. of Chicago, Firemen's Fund Insurance Co. of San Francisco, Great Northern Insurance Co. of Minneapolis, Insurance Co. of North America of Philadelphia, and Liberty Mutual Insurance Co. of Boston.

To help commercial banks and other private financial institutions provide more direct medium-term export financing, Ex-Im is beefing up its exporter credit and guarantee services. Banks from now on can get guarantees from Ex-Im against losses in financing exports. Such guarantees may also encourage other financial institutions to finance export paper by purchasing it from commercial banks on a non-recourse basis.

Ex-Im will assume the political risk on that part of each medium-term transaction in which the normal credit risk is assumed by a commercial bank, provided the bank pays for a comprehensive guarantee for the whole period of the paper.

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# Rails head up from the bottom

One of the depressed stock groups is suddenly doing better—against the trend

In the past few weeks a good many brokerage houses have started recommending railroad stocks to their customers. Largely as a result of this sudden attention, the rails—which have been one of the most depressed stock groups—have been rising at a time when the market as a whole has been showing signs of weakness.

Some brokerages plugging the rails frankly admit that they "look cheap" compared to either industrials or utilities. Adds an institutional investor: "After all, everyone from bootblacks to professionals have run most of the avenues dry. It's perfectly wonderful suddenly to find a stock group with low price-earnings ratios and high yield" (table).

Analysts reason that in a general economic recovery railroads are certain to haul more freight. Traffic should be increasing healthily, thanks to higher capital expenditures by heavy industry, increased consumer spending, and a jump in defense outlays for "conventional" hardware. With carloadings climbing and dollars pouring in, earnings for many rails should be sharply ahead for the rest of this year and the first half of next. And as a result the rails are beginning to look like a stock group where some money can still be made.

**Past glamor.** The rails were once a darling among investors. But they have long since lost their glamor. After a brief spurt at the end of World War II, rail stocks slumped until the Korean War. Even then, their rise was short-lived. And they took little part in the big bull market of the late 1950s. In fact, they have never come close to the heights reached in the 1920s.

Few analysts think the rails are

## Railroad stocks

	This week's price	1958-61 price range	1961 est. earnings per share	Price-earnings ratio	Current yield
<b>Eastern roads</b>					
Baltimore & Ohio .....	29%	50% <sup>a</sup> -22½	d\$10.00	...	...
New York Central .....	17%	33¼-13¼	d 2.75	...	...
Pennsylvania .....	14%	20-10%	d 1.27	...	...a
Nickel Plate .....	40%	46-18	2.30	18	4.9%
<b>Southern roads</b>					
Atlantic Coast Line .....	44¼	62½-27%	3.40	13	4.5
Illinois Central .....	46½	55¼-28%	4.10	11	4.3
Louisville & Nashville ..	59%	88-47¼	5.00	12	5.0
Seaboard Air Line .....	31½	40%-20	2.50	13	5.1
Southern .....	57%	61¼-30	4.00	14	4.9
<b>Pocahontas roads</b>					
Norfolk & Western .....	109	117-53¾	8.00	14	4.6
Chesapeake & Ohio .....	59½	74%-47¾	3.75	16	6.7
<b>Western roads</b>					
Denver & Rio Grande ..	21%	22%-11%	1.40	15	4.7
Kansas City Southern ..	82%	88%-50%	7.25	11	4.8
Union Pacific .....	36%	38%-24%	2.80	13	4.4
Santa Fe .....	28%	32½-16%	1.90	15	5.0
Great Northern .....	48½	59%-29½	3.10	16	6.2
Southern Pacific .....	28%	29½-11½	2.60	11	4.2
Milwaukee Road .....	18	35%-11½	1.00	18	...
Rock Island .....	27	37¼-19½	2.10	13	5.9

a—indicated dividend rate indeterminate  
Data: Moody's, Business Week

d—deficit

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headed for a new boom on the market. But they do feel that investors have overdone their neglect. According to Wood, Struthers & Co., "The industry's growth equities are attractive for substantial appreciation and liberal income." And a Wiesenberger & Co. report says that "no other major group, in our opinion, offers as attractive a combination of liberal yield, limited risk, and large-scale appreciation."

### I. From bad to better

In part, those who like the rails think that their earnings must improve, if only because they've been so bad. Just about a year ago, railroad freight car loadings took a sickening dive. "At the beginning of this year," says one analyst, "they were simply ghastly." Average weekly loadings during the first quarter of 1961 were around 490,000 cars; analysts note that 700,000 cars a week represents prosperity for the rails.

Now loadings are climbing back. Last week they stood at 642,000 cars. Owing to seasonal variations, the climb will not be steady, but current thinking is that the level may be at

least 20% over the 1960-61 figures.

If this should happen, some more favored rails should show substantial earnings improvement and possibly dividend increases. The trick for investors, of course, is to figure out which will perform the best before they are bid up.

**Leverage hath charms.** In any analysis of railroad stocks, the most important factor is the leverage available in their group.

Railroads have enormous fixed expenses whether they are carrying lots of freight or very little. For instance, the interest and amortization on their huge mortgage-and-equipment debt continues in good times and bad. If business drops off, the physical plant can't be reduced at all, while the work force can usually be cut only slightly. Maintenance can be—and often is—cut back, but this is only deferring an expense—not eliminating it.

Thus, in periods of economic recession, railroad earnings look pretty bad, if they exist at all. Conversely, when prosperity returns and the loaded freight cars begin rolling, earnings come back with a rush.

**Diverse stocks.** But in the present recovery, earnings won't necessarily



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come back with a rush for all the rails. There's a lot of variety in railroad stocks. Some are close to being blue chips, with fairly stable earnings; others are very speculative. Generally speaking, the railroads that will do best are those with the longest hauls, the least need for costly and time-consuming switching, the most modern plants, and the weakest competition.

A rule of thumb has it that many rich and prosperous roads of the West, South, and the bituminous coal regions of the East reach a new earnings peak every time there is a major economic upswing. Contrary to belief and much of the propaganda put out by the Assn. of American Railroads, some of these rails offer true growth situations.

Alternatively, however, many hard-pressed roads in the East never quite match their previous peaks. These railroads can least afford to defer maintenance, because their roadbeds and rolling stock are already in the worst shape. Yet they are forced to because of their lack of profits during a business downturn. Therefore, as business returns these railroads must spend the most to refurbish plants, and earnings never quite get back to where they were.

## II. Finding bargains

What does all this add up to in terms of market performance? The strongest rails never sank very far in the recent recession, and at present many of them are now at, or near, their four-year highs. The weakest took a frightful beating and must spend the most internally; so it will probably be a long time before their increased earnings will mean increased dividends. Theoretically, therefore, their market prices should not appreciate soon.

**Unknown factors.** The "bargains," if they really exist, are to be found between these extremes. But adding zest to the hunt are several important unknowns.

Next week the Commerce Dept. is scheduled to issue its report to the President on transportation problems and proposed solutions. It is certain to have an effect on the market depending on how favorably it treats railroad problems.

A month later a fact-finding commission on railroad work rules and practices is due to report—though this will probably be postponed. This is the commission that has been looking into what management calls "featherbedding." If it recommends rule changes in line with practices now being adopted on Canadian railroads, savings for American roads

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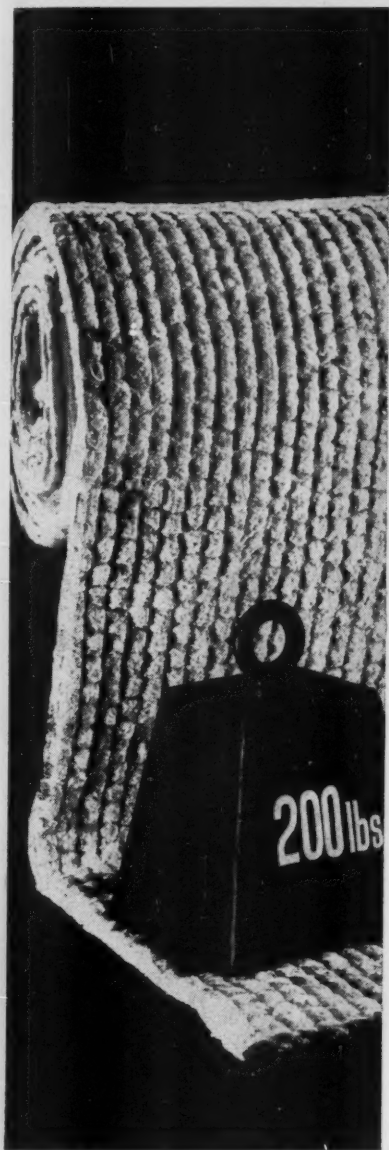
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could reach \$200-million a year within three years.

**Mergers.** The unknown with the greatest impact on individual rail securities is the matter of mergers. Railroads involved in merger discussions talk in terms of annual savings usually in the scores of millions. Those that have been left in the cold wait about losing 40% or 50% of their traffic. At present, mergers are caught in a log jam before the Interstate Commerce Commission, but this isn't expected to last.

If some of the presently proposed mergers are approved in the next few years, "there will be a spectacular upturn in earnings for those companies," says one rail expert. "On the other hand, railroads with a lot of traffic diverted will find their stocks going down through the basement."

Over the longer term, the government is expected to tackle some of the unsolved problems in mass transportation. If Eastern railroads, with their huge commuter losses and attendant real estate taxes, could be relieved of even part of these burdens, their stocks should show a marked rise.

**Market psychology.** Overhanging all these considerations is the unknown of market psychology. Said one securities man this week, "Interest in rails isn't too great any more because too many people have taken too much of a beating too often. Right now we haven't got a very wide market. But given a few months of good earnings, this will change."

If individuals still aren't enamored with most rail stocks, institutional investors are even less so. A recent Business Week survey of professional investor thinking found almost no one who liked the rails.

The problem is that since rails are not considered a growth industry, they are purchased for income. But many blue chip rails of institutional quality have sunk below the magical figure of 5% yield in the recent market surge. The result is that among the pros there are now more sellers than buyers, especially for big blocks of stock.

Thin as the market is for railroad stocks, the market for railroad bonds is even thinner. Yet the risks are often less, the current yield greater. Furthermore, at their currently depressed prices they should appreciate substantially with an increase in earnings and an improvement in the balance sheet.

Nevertheless there is little interest in railroad bonds. Their quality is often insufficient for institutions and unsophisticated investors are unfamiliar with their advantages. **End**

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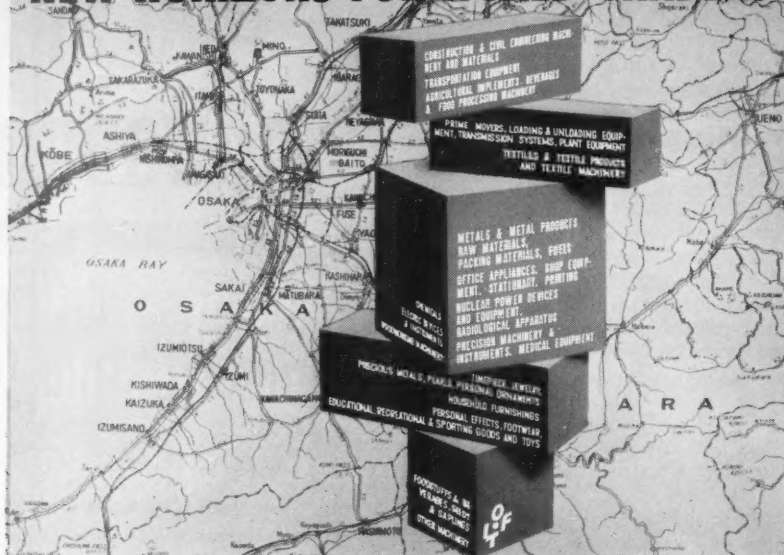
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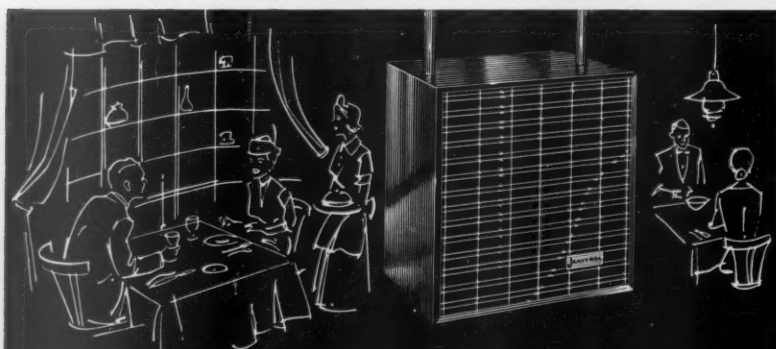
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Elizabeth Taylor loses some fans

## Star's illness costs insurers \$2-million

Elizabeth Taylor, the sultry movie queen who is among the industry's biggest box-office attractions, has no fans among the men operating in the international insurance market.

This became apparent this week when a group of 40 insurance companies and 90 syndicates of Lloyd's underwriters in London agreed to a \$2-million out-of-court settlement with 20th Century-Fox Film Corp. Fox had brought suit against the insurance consortium for losses involved in production of its film, *Cleopatra*, starring Elizabeth Taylor.

Fox, which had insured both the film and the actress, asked for \$3-million when production was delayed after she got sick in London last year. At first, the insurers denied any liability, then offered \$1.3-million. Fox felt this was inadequate, and took legal action.

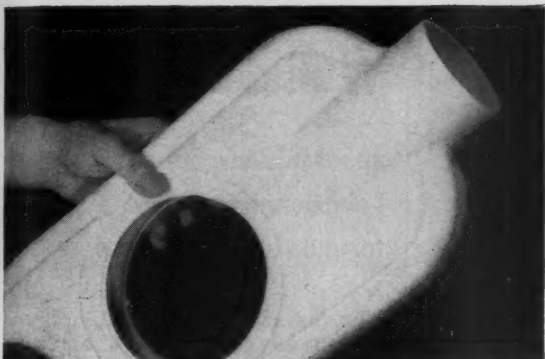
**New trouble.** The \$2-million Fox gets is a fairly large sum to collect from insurers of films and film stars, but Fox has far exceeded its budget estimates on *Cleopatra*. It resumed shooting the film this year in Rome.

Fox also is having trouble reinsuring the film and its star.

The prospect is that Fox will get a policy, but the premium may be hiked.

Insurance men may also ask a healthy premium for an additional \$2-million personal accident policy on the life of Elizabeth Taylor, to cover her air travel during the rest of the filming. **End**





**1** Blow molded of high-density polyethylene, it's a  
(a) bottle warmer (b) traffic light housing  
(c) counter display



**2** Individually quick frozen foods are wrapped in polyethylene film for  
(a) display (b) faster freezing (c) convenience

## Can you pass this test on Polyethylene Plastics?

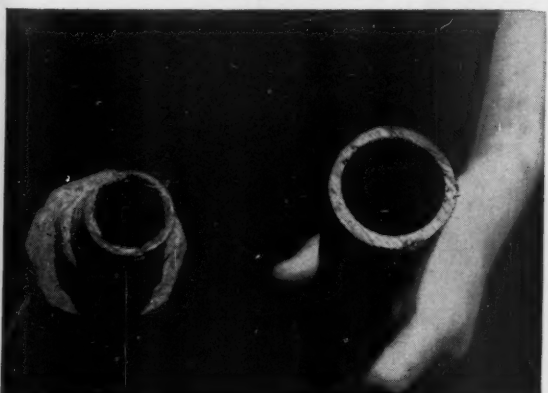
(You'll profit by knowing them better)



**3** It's laying military cable jacketed in high-density polyethylene at  
(a) 10 mph (b) 30 mph  
(c) 100 mph



**4** Coated paper liner gives this frozen food box  
(a) protection from food (b) easier opening  
(c) leakproof seal

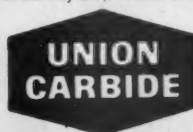


**5** Polyethylene pipe (right) and conventional pipe both carried  
brine for  
(a) ten years (c) six months (b) one year

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1. Check (b). It's one piece, seamless, weather-resistant, translucent.
2. (a) and (c). Resistant even to sub-zero cracking and tearing, it can wrap unused portions returned to the refrigerator.
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4. Check (b) and (c). It heat-seals to an easily opened liquid- and vapor-tight closure.
5. (b). . . . and the polyethylene pipe still looks fresh and clean.

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## Wall St. talks ...

about SEC investigation,  
Levy Committee, new  
formula for taxing S&Ls

The Securities & Exchange Commission has selected a candidate to head up its special investigation of the securities industry. He is Milton H. Cohen, 50, a former SEC attorney who is now a partner in Dallstream, Schiff, Hardin, Waite & Dorschel—a big and respected Chicago law firm. Cohen is a personal friend of SEC Chmn. William L. Cary. He is considered a pro on the markets and an expert on public utilities.

The Levy Committee, appointed two weeks ago to investigate the American Stock Exchange [BW Oct.21'61, p167], apparently is serious about its mission. Brokers say that its chairman, Gustave L. Levy of Goldman, Sachs & Co., has already employed a top Wall Street law firm as counsel, hired an executive secretary, and laid plans to appoint additional subcommittees shortly in order to speed the investigation and get the ASE to clean house.

Texas Instruments, an institutional favorite for the last few years, dipped below 100 this week (1961 high: 206¾) largely because of mutual fund selling. A fund can take a tax loss and buy the stock back before the quarter is out, which establishes a lower cost base.

The Kennedy Administration apparently has made up its mind on the controversial issue of how to tax savings and loan associations. Industry sources say that a portion of S&L earnings before appropriations to general reserves—say 60%—would be considered tax exempt, while the balance would be taxed at full corporate rates. If this measure passes, it will mean an over-all effective tax rate of about 20% for the S&Ls.

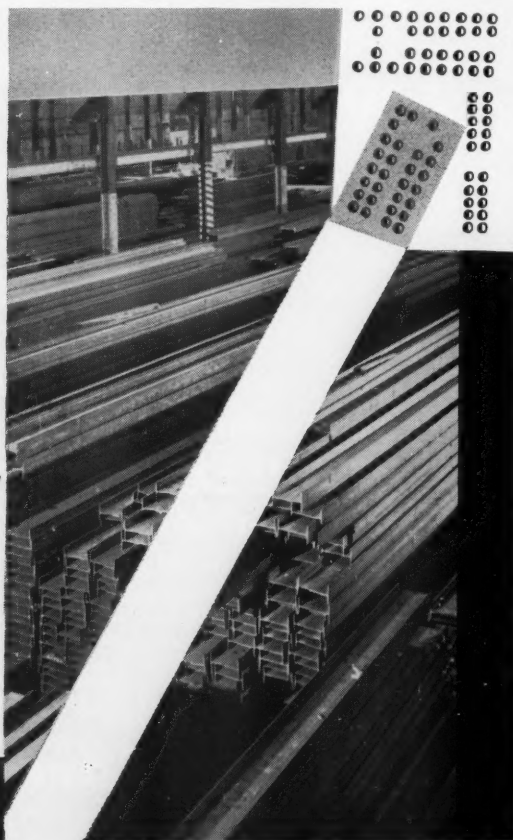
Bankers are pleased by the growing demand from corporations for negotiable certificates of deposit [BW Feb.25'61,p34]. The negotiable CDs have been offered only for eight months, but there are already about \$2.4-billion outstanding, with over \$1.1-billion issued by New York banks alone.

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# In the markets

**BW**

## Tax sales churn up market but there's little change below the surface

Stock prices thrashed about this week without establishing any definite trend.

Brokers say that tax selling was largely responsible, and that until it is out of the way the market will continue to mark time. Most of the tax selling involves switching out of one stock and into another, but the over-all effect is pretty much of a standoff. Those issues that have been hard hit and appear as natural candidates for tax sales are sinking lower, while those that have promising prospects are rising.

Investors also appear somewhat uncertain about the business outlook—and the prospect for earnings. They are a bit disappointed by third-quarter results, and while there is little outright selling, the demand for stocks has faded. A selloff could occur if earnings fail to improve, but by the same token, buying is likely to pick up if earnings rise.

Despite the current pause, which has been going on for almost two months, the prevailing sentiment in Wall Street and among investors—institutional and individual—remains bullish. And as soon as the economy shows signs of increasing activity, the market should also perk up. The advance is likely to be slower than it was earlier in the bull market, but it should bring new highs before the year is out.

## Bond dealers speculate on how Treasury will handle giant refinancing

Trading in the government bond market slowed almost to a halt this week—though prices were marked up on speculation that the British bank rate would be cut—as bond dealers waited for the Treasury to announce terms of a king-sized \$6.96-billion refinancing. It's expected to be critical refinancing, for virtually all the maturing 2½% bonds are held by the public. This means debt managers won't be able to count on government investment accounts for automatic support.

The key question is whether the Treasury will grant holders of the maturing issue preferential "rights" to exchange their bonds for new ones, or whether the bonds will be paid off in full and a new issue (or issues) sold for cash to replace them. As usual, bond dealers are divided in their opinion of what the Treasury will do.

Arthur W. Schlichting of Bankers Trust Co. thinks the Treasury will have a cash offering, probably of two issues: the first, a 15-month 3¼% note, which would absorb the bulk of the refunding, and the second, a four-to-five-year issue with a 3¼% coupon. This method, he says, should net the Treasury about \$1.4-billion more than a comparable rights offering.

Norman L. Macy of First Boston Corp. disagrees. He favors a rights offering, which he feels would lengthen the maturity of the debt. Macy is one of the few bond

men unworried about the possibility of cash redemptions piling up. "I'm not so sure there would be a great deal of attrition," he says, "and I think that the Treasury can handle what does take place." Macy looks for a 15-month issue, plus a 4-year note, or possibly an intermediate bond due in 1969. But he says that it is "too early" to talk rates.

C. Richard Youngdahl of Aubrey G. Lanston & Co., Inc., is still on the fence. He says "it's a standoff between cash or rights at the present time." The decision, he feels, will depend on the Treasury's projections of its cash needs. In either case, Youngdahl thinks there will be an "anchor issue" of 12-to-15-month maturity with a 3½% coupon, a note due in 1964 or 1965 with a 3¾% coupon, and perhaps an intermediate bond in the five- to 10-year range carrying a 3½% or 4% rate.

Maurice A. Gilmartin of Charles E. Quincey & Co. believes the Treasury should attempt to sell approximately \$5-billion worth of a 3½% 12- to 15-month note for cash. The balance of the refunding, he adds, should be done through a rights offering. But instead of creating a new issue, he would reopen the 3¼% notes of May, 1963, and the 3½% bonds of May, 1968, and sell additional obligations from these issues.

## Price of sugar in world market in doubt as Cubans break up U. N. conference

The future price of sugar in world markets was left in doubt this week by Cuban demands that broke up a six-week-old United Nations Sugar Conference in Geneva.

The conference had been attempting to fix quotas—and hence prices—on sugar in the "free market," which deals in sugar not sold by special agreements between nations. Cuba demanded that its annual quota be lifted from 2.4-million tons to 7.2-million because of its losses since 1960, when the U.S. canceled its long-standing agreement to buy 3-million tons a year.

Cuba has partially offset loss of the U.S. market by sugar sales to the Soviet bloc. But these are barter transactions, and Cuba needs the foreign currency that would accrue from selling in the free market.

Delegates at the Geneva meeting offered to compromise, but Cuba refused to modify its demands. So the conference recessed until late November.

Meanwhile, free market sugar prices dropped because of fears the quota system would be abandoned at yearend, when it is scheduled to expire. Sugar was spot-priced this week at \$2.60 a 100 lb., about 35¢ lower than earlier this year. Sugar for delivery in March eased 6¢ on the Geneva news to \$2.48. If agreement isn't reached, these prices will probably work lower.

But abandoning the quota system will have little impact on domestic producers—their prices and quotas are fixed by the U.S. government. However, a lack of quotas could cause trouble for other sugar-producing free world nations by cutting prices below production costs.



# U.S. rattles its missiles, too

**Deputy Defense Secy. Gilpatric says U. S. nuclear retaliation could match the power of an initial Russian attack**

**Latest intelligence reports show Russia has no more ICBMs standing on the launching pads than we have**

**Experts pooh-pooh massive H-bombs claimed by Russia but admit concern over anti-submarine developments**

Cold war diplomacy took on a more bellicose tone during the past week as the U.S. and the Soviet Union exchanged weighty claims of military might.

From Deputy Defense Secy. Roswell L. Gilpatric came a remarkable declaration that the U.S. could absorb a Soviet nuclear attack and come back with a retaliatory blow as destructive as, or even greater than, the initial Soviet assault.

In military terms, Gilpatric was claiming for this country a bomber and missile "second strike capability" at least as powerful as Russian "first strike capability."

"Our confidence in our ability to deter Communist action or resist Communist blackmail," said Gilpatric, "is based upon a sober appreciation of the relative military power of the two sides. We doubt that the Soviet leadership has in fact any less realistic views, although this may not be always apparent from their extravagant claims."

**Russian reaction.** From Moscow two days later came a momentous statement from Marshal Rodion Y. Malinovsky, the Soviet defense minister. He said the Soviet Union has "successfully solved" (another translation had it, "coped with") the problem of destroying rockets in flight. The implication was that Russia has developed an anti-ICBM system.

Malinovsky's boast was punctuated by two more nuclear test explosions at Novaya Zemlya in the Soviet Arctic. One was described by Washington as probably 30 megatons in power and possibly as great as 50 megatons. (Moscow claims to have perfected a 100-megaton H-bomb.) In either case, the test was the largest manmade explosion in history. The Soviets also detonated an under-

water nuclear device, probably the first of its kind for them.

**Verbal sparring.** The U.S. claim and the Soviet counterclaim were obviously part of cold war strategy. For the U.S., the intention is to reinforce its policy of firmness in the face of Communist pressure on Berlin and other global hot spots; for the Kremlin, it is a continuation of its campaign of intimidating the West and the neutralist nations. The consensus is that the U.S. has emerged with an image of a decidedly stronger over-all military posture.

Gilpatric's claim, which was made in a speech to the Business Council at Hot Springs, Va., (page 34), was the most precisely confident statement of U.S. armed strength that has been made in many years.



Deputy Defense Secy. Gilpatric made the speech, but it had been reviewed in detail by Pres. Kennedy and Dean Rusk.

The importance of Gilpatric's speech was carefully advertised in advance by Pentagon press officers. The fact that Pres. Kennedy and Secy. of State Dean Rusk had personally reviewed Gilpatric's remarks was also emphasized. It was to avert crude intimations of saber-rattling that the President decided to allow the Pentagon's second-ranking leader to spell out U.S. military power with such precision rather than do it himself.

**Latest intelligence.** The Gilpatric declaration reflects a recent intelligence reappraisal that down-grades earlier estimates of Soviet ICBM capabilities. And, once and for all, it attempts to demolish the fears of a "missile gap" that have been dogging the Pentagon for several years.

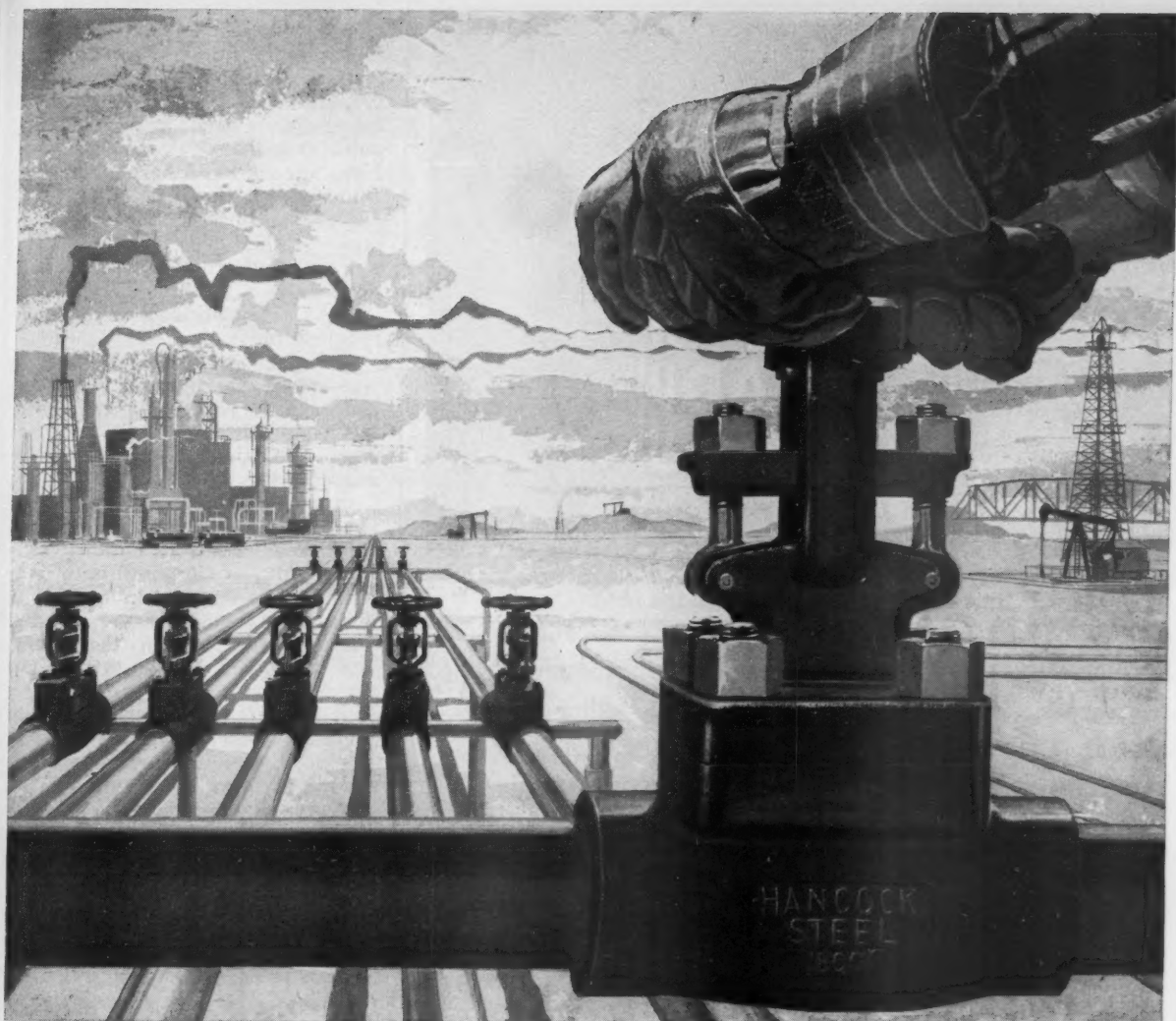
Both the U.S. and the Soviet Union are now believed to have close to 50 operational land-based ICBMs. Expansion of both countries' ICBM forces is now expected to proceed at roughly similar rates in the near future. The U.S., however, is credited with a technological lead in development of second-generation, solid-propellant ICBMs less vulnerable to enemy attack and that can be deployed more readily at more sites.

Gilpatric also underscored the U.S. lead in intercontinental manned bombers and missile-carrying nuclear submarines. He said the U.S. has about 600 B-52 bombers and six Polaris subs at sea armed with 96 long-range missiles (at least five times as many vessels will be operational within the next few years).

According to intelligence estimates, the Soviet Union has some 200 comparable bombers and few, if any, operational nuclear subs. It does have ocean-going submarines that can launch short-range missiles but only from the surface.

In terms of conventional forces—ground armies and their supporting tactical aircraft—the Russians are probably superior, both quantitatively and qualitatively. But the current buildup in limited-war capabilities is expected to bolster the U.S. position.

**Sizing up claims.** Most U.S. de-



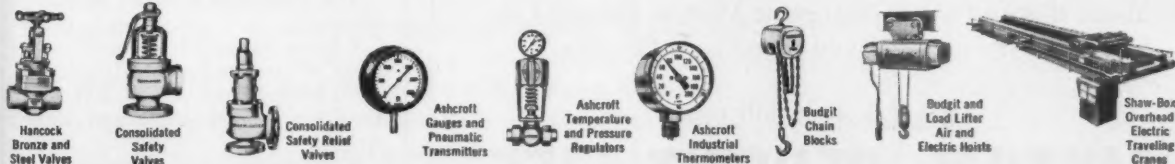
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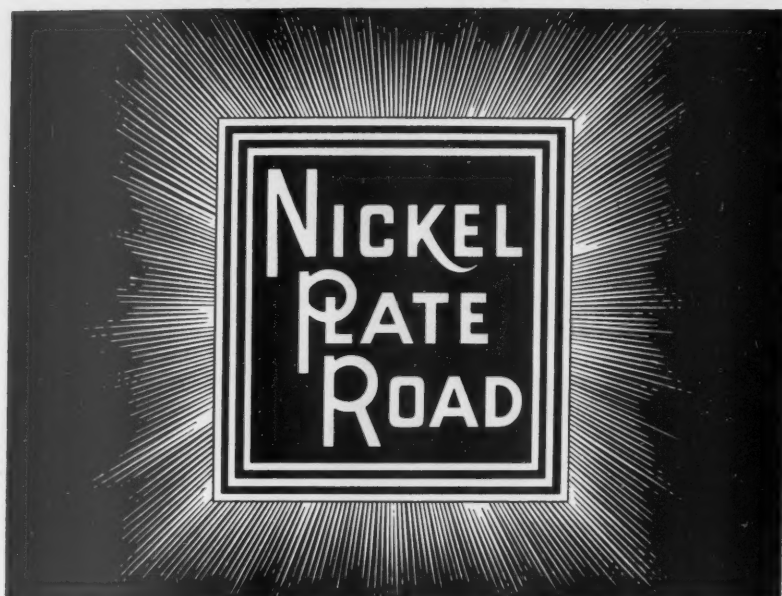
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fense experts are skeptical of the military utility of the massive H-bombs the Russians are developing. They are more concerned about the underwater nuclear tests, which are obviously aimed at perfection of anti-submarine devices. The U.S. Navy already has a hefty arsenal of atomic depth charges. But the crucial element in anti-submarine warfare is the detection apparatus rather than destructive devices, and neither the U.S. nor the Soviet Union has satisfactorily developed the required hardware.

Malinovsky's anti-missile claim was so exceedingly vague that it has caused little concern in U.S. military circles. In theory, the U.S. has also solved the question of missile interception.

In severely limited tests, moreover, the Army has knocked down short-range ballistic missiles (the battlefield-type Corporal) with anti-aircraft missiles. And its Nike-Zeus anti-missile missile will be tested against an ICBM in the Pacific next year [BW Sep.9'61,p133]. But the Zeus system's restricted performance and prohibitive cost put the damper on proposals for extensive deployment of the weapon. The Army has been given tentative approval to begin production of certain long-lead-time Zeus components next year, but this is not viewed as any serious intention of going ahead with the project on a broad scale.

To produce Zeus batteries for defense of as few as six major metropolitan areas would cost well over \$3-billion. Many Pentagon officials contend that such expenditures would buy more deterrent power if the money were earmarked for offensive weapons systems.

**Call for testing.** The Soviet nuclear tests, meanwhile, have accentuated Pentagon demands for the resumption of U.S. atmospheric testing. Military technicians have wide-ranging needs for nuclear tests in the atmosphere, and they fear that the 23 known Soviet tests in the past two months have whittled down the U.S. lead in nuclear weapons technology.

The Pentagon's basic objectives are:

- More advanced research on nuclear weapons effects.
- Development of ICBM warheads of higher yield and lighter weight.
- Improvement of tactical atomic weapons.

Testing of anti-ICBM devices. None of these aims, military officials say, can be achieved through the types of underground tests that the U.S. has resumed. **End**



# Personal business

**BW**

October 28, 1961

## Maybe you have an orchid thumb

You don't have to be a Nero Wolfe—or even a millionaire—to raise orchids.

You can spend as little or as much money and time as you please at this gentleman's hobby. Thousands of dollars can be consumed—or your conservatory can cost no more than the price of two good theater tickets.

As for time needed, orchids must be watered weekly, and the leaves water-sprayed frequently. But from here on, it's a question of your own interest.

## Start with hardy varieties

There are over 20,000 varieties of orchids, plus uncounted hybrids. Best known is *Cattleya*, which gives the popular purple corsage bloom. This is a good plant to start with; it's hardy, can be grown at room temperatures, and usually blooms for at least two weeks.

Later on, you can add some of the other sturdy types—*Cymbidiums*, *Vandas*, *Dendrobiums*, or *Cypripediums* (lady's slipper).

And there is great flexibility in approach, too. You can start with plants, "back bulbs," or seedlings. Most immediate results come with plants, of course, especially those at the budding stage. Prices range from \$10 to \$50 for a good standard-type plant, up to four figures for pedigreed varieties.

Back bulbs are less expensive, but more risky. They're the older part of the plant, left after it has attained growth and been divided. They need one to three years for good blooms; cost is \$1 and up.

Seedlings, the very young plants, are not recommended for amateurs. They take up to seven years to bloom, and need a lot of careful tending. Generally, they're sold according to the size pot—the key to blooming-time. A 1¾-in. pot *Cattleya*, for example, takes 3½ to 4½ years, costs about \$1.50 up. A 3-in. pot takes two to three years, while a 5-in. is near flowering.

## Greenhouses come in all sizes

A greenhouse is ideal for orchids; here again, the price can be what you want to pay. It can be simply a sunny east window, in fact, or a glass lean-to costing a few dollars—or a walk-in glass house running up to several thousand. A small, complete, 45-sq.-ft. house, for example, costs about \$600.

Or you can buy one of a score or more of prefabricated plastic, Fiberglas, aluminum, or wooden models. A table-top model with temperature control and moisture gauge may run about \$25 to as high as \$125.

In planning a greenhouse of any size, keep in mind that orchids must have good ventilation and be kept free of drafts. Pennsylvania State University, incidentally, is sponsoring a six-lesson correspondence course, covering greenhouse construction; cost is \$1.50. Write to Correspondence Courses, 201 Agricultural Education Bldg., University Park, Pa.

## Fool plants with artificial light

A warm, draft-free basement is ideal for growing orchids under artificial lighting. In fact, many flowers—African violets, begonias, gloxinias, hibiscus, and others—do well this way.

Big advantage is that you often achieve year-round blooming.

Incandescent, fluorescent, or a combination of both lights are used. Most plants will require 12 to 18 hours a day in such brightness; you can use an automatic timer so as not to overdo the treatment. Setup can range from a couple of 40-watt fluorescent tubes to elaborate mounted fixtures with reflectors, with cost ranging to several hundred dollars.

It's a question of experimenting to get the best light for each type of plant.

## Personal business Continued

Seedlings, for example, take a stronger light than older plants. Generally, if an orchid plant gets tall and spindly, it is under-lighted; brown leaves mean too much light.

Two good reference guides: **You Can Grow Orchids**, by Mary Noble (3003 Riverside Ave., Jacksonville 5, Fla., \$1.98); and **Growing Plants Under Artificial Light**, by Peggie Schulz (Barrows, \$3.75).

### London shows off new auto trends

Jaguar's new Mark X luxury saloon model has won top attention at London's International Motor Show (Oct. 18-28), according to expert viewers.

This 120-mph. five-passenger sedan has been tabbed "superbly styled." Priced at \$7,200 in the U.S., it has all-wheel independent suspension and disk brakes, power steering, automatic transmission, and a six-cylinder engine developing 265 BHP.

Second place in interest has been taken by the new Mercedes-Benz 300 SE, also a five-passenger sedan, but costlier (about \$9,000). Model has pneumatic suspension, direct fuel injection, light alloy engine producing 160 BHP, automatic transmission, and disk brakes.

### Rolls vs. Daimler

Challenging Rolls-Royce's front standing in the big-car field is a new model by British Daimler, selling for less than a Rolls (\$12,000). It seats eight, is 19 ft. over-all, reaches top speed of 110 mph. with a 220 BHP engine; has disk brakes, automatic transmission, power steering.

In a smaller class is a new Aston Martin DB 4—an aristocratic convertible coupe, Italian styled, 140 mph. (\$9,000).

Trends spotted at the London show include disk brakes at the front of all cars, lubeless chassis, higher engine ratings, two-pedal controls for cars down to the 1.5 liter class, and safety straps (even mink-wrapped harness for crash protection, if you insist).

### A look at business history

An absorbing work called **Wall Street—A Pictorial History**, by Leonard L. Levinson, has much appeal, especially if you have followed finance and commerce in this country for more than a few years.

This is a word and picture history that will take you back to such events as the "bomb wagon" explosion in 1920 and the frenzied action on the floor of the Exchange on Oct. 29, 1929. Names from Jay Gould to Bernard Baruch appear in their headline days—with Baruch's word of advice at the end: "Don't be a jack of all investments; stick to the field you know best" (Ziff-Davis, \$14.95 to Nov. 10, then \$17.50).

### Sell your car and rent another

If you've considered leasing or renting a car when you need one, instead of owning full-time, Hertz Corp.'s new purchase-and-rental idea may prove interesting.

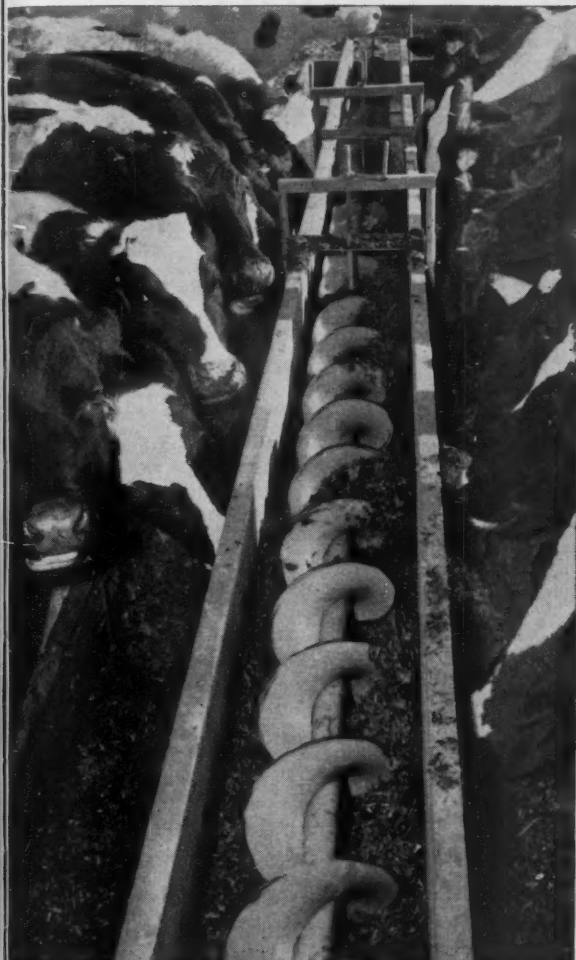
Hertz will buy your old car at a claimed 15% over what you could expect in cash if you sold to a dealer; then they'll pay you in the form of a car-rental credit account that can be used at any of their 1,700 locations in this country and abroad.

Added plus: There is no time limit on using the credit.

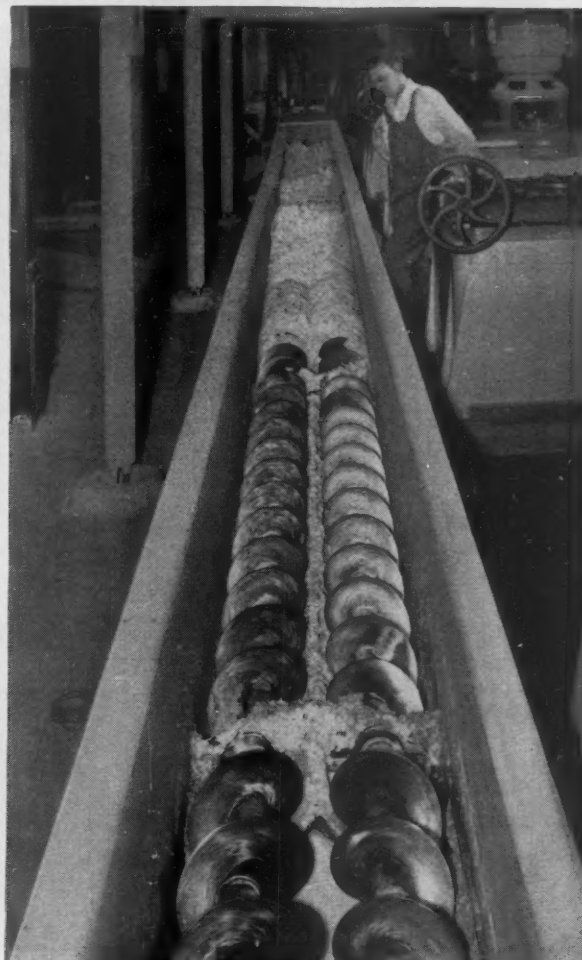
For income tax purposes, IRS now says it will consider that an employee has "accounted to his employer" for travel if mileage allowance isn't over 15¢ and per-diem not over \$20—former limits were 12½¢ and \$15.

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# New twists with ancient conveying method



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# LINK-BELT



15,297

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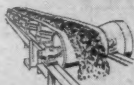
BEARINGS



CHAINS AND SPROCKETS



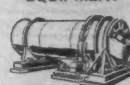
CONVEYING EQUIPMENT



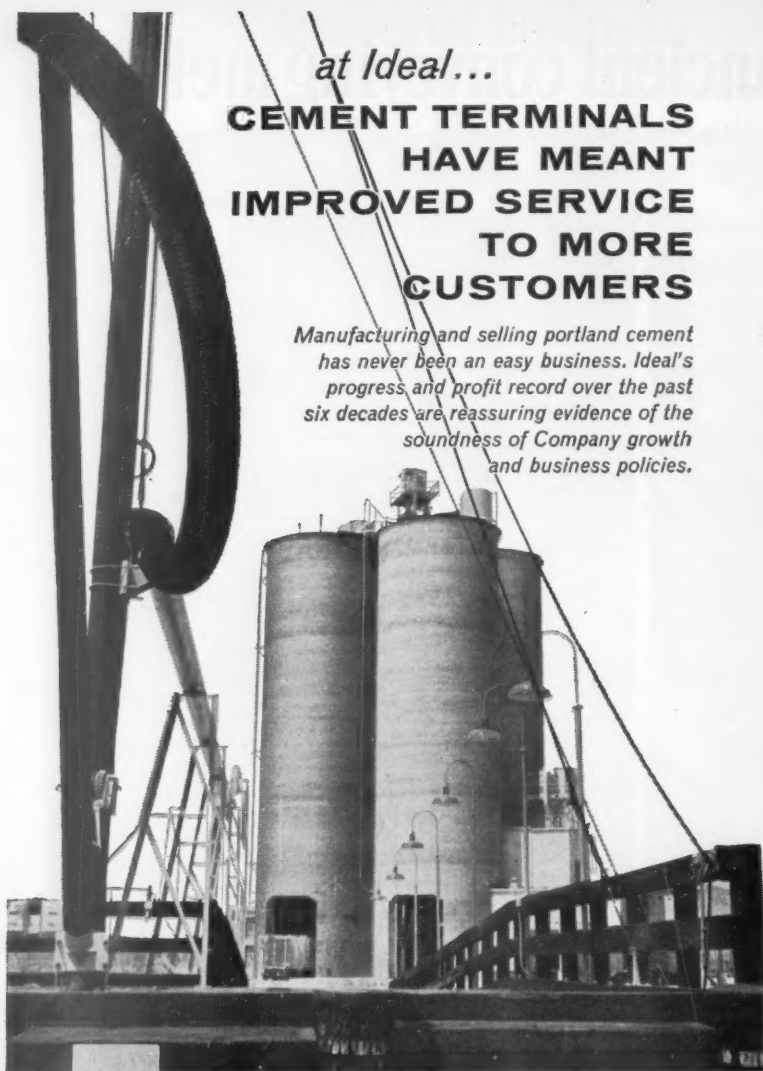
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**I**

n addition to the good service offered through its inland plants, Ideal maintains a highly flexible competitive position with plants at Mobile; Baton Rouge; Redwood City, California and Houston; plus one under construction at Wilmington, North Carolina, all located on deep water; and deep water terminals at Seattle and Vancouver, Washington; Anchorage, Alaska; Sacramento; Lake Charles and New Orleans, Louisiana; Tampa; and one now being built at Wilmington, North Carolina.

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## REGIONS

# August was a good month, too

**Personal incomes didn't rise much from last July, but they were well above year-ago**

The tempo of recovery slowed down a little during August as seasonal influences came into play. Business Week's Measure of Personal Income moved just about level from July to August—with an almost imperceptible gain during the month.

Against last year, however, the improvement in personal income is more evident. Incomes increased 2.4% over August, 1960, when the nation had already begun to slide slowly into the recession.

Smaller payrolls in the well-paid durable goods industries exerted a downward pull on the totals in many states. Auto assemblies shut down for the annual model changeover—in some cases, such as Chrysler, a week or two later than last year. Other metalworking plants chose August for summer vacations.

On the plus side, there were plenty of jobs in agriculture as farmers began to harvest and market this year's bumper crops. August is always a big month for tobacco and food-processing plants; this year was better than most.

**Most states gain.** A healthier tone was apparent in almost every state. All but five states posted some gain over last year. The laggards: still Michigan, the Dakotas (where a prolonged drought took a heavy toll), Alaska (not so much construction here as last year), and Iowa.

Honors for year-to-year improvement go to the Carolinas and Utah. In North Carolina (10.2%), nonfarm employment rose 6,500 over August, 1960; more than 40% of the gain centered in tobacco-processing. Agriculture and apparel turned the trick for South Carolina (8.1%); farm receipts here rose 47% over August, 1960. Utah income continued to reflect the growth of electronics and defense industries in that state.

## Measure of personal income

Millions of dollars

[not adjusted for seasonal variations]

State	1953-55 average	August 1960	July 1961	August 1961	% change versus year ago	Eight Months		% change versus year ago
						1960	1961	
Alabama	\$286.4	\$416.0	\$410.1	\$427.3	+ 2.7%	\$3,178.9	\$3,202.9	+ 0.8%
Alaska	41.9	63.3	58.9	60.8	- 3.9	416.1	430.4	+ 3.4
Arizona	126.9	209.7	225.7	218.9	+ 4.4	1,720.1	1,822.9	+ 6.0
Arkansas	153.5	192.9	195.3	193.3	+ 0.2	1,519.8	1,527.2	+ 0.5
California	2,341.7	3,739.0	3,855.5	3,866.2	+ 3.4	29,013.8	30,029.0	+ 3.5
Colorado	217.2	343.4	375.4	365.5	+ 6.4	2,682.6	2,871.8	+ 7.1
Connecticut	440.7	616.5	642.5	638.6	+ 3.6	4,883.7	5,023.1	+ 2.9
Delaware	78.6	114.4	120.1	119.2	+ 4.2	956.7	957.6	+ 0.1
District of Columbia	158.2	193.6	204.0	201.8	+ 4.2	1,522.5	1,597.3	+ 4.9
Florida	456.8	811.9	855.3	840.6	+ 3.6	6,742.6	7,021.9	+ 4.1
Georgia	383.2	561.6	543.8	565.7	+ 0.7	4,232.8	4,257.3	+ 0.6
Hawaii	76.0	126.0	130.8	128.4	+ 1.9	946.2	1,021.9	+ 8.0
Idaho	74.5	109.9	109.7	116.7	+ 6.2	840.2	844.3	+ 0.5
Illinois	1,677.5	2,235.0	2,301.5	2,284.8	+ 2.2	18,041.0	18,097.4	+ 0.3
Indiana	663.5	844.4	871.0	857.4	+ 1.5	6,736.8	6,678.6	- 0.9
Iowa	357.3	478.2	464.5	476.5	- 0.4	3,746.0	3,859.4	+ 3.0
Kansas	281.8	407.7	415.0	420.9	+ 3.2	3,029.8	3,138.5	+ 3.6
Kentucky	307.1	394.1	419.5	417.4	+ 5.9	3,129.0	3,256.1	+ 4.1
Louisiana	318.3	460.6	466.8	466.2	+ 1.2	3,639.2	3,692.2	+ 1.5
Maine	112.8	158.0	159.1	159.3	+ 0.8	1,219.7	1,240.2	+ 1.7
Maryland	432.3	626.9	637.3	642.4	+ 2.5	4,939.1	4,973.7	+ 0.7
Massachusetts	799.8	1,099.5	1,131.8	1,126.1	+ 2.4	8,621.8	8,832.7	+ 2.4
Michigan	1,234.1	1,570.4	1,472.2	1,426.7	- 9.2	12,954.0	11,377.6	-12.2
Minnesota	434.8	611.3	620.4	625.8	+ 2.4	4,712.7	4,834.7	+ 2.6
Mississippi	160.9	206.3	209.5	214.6	+ 4.0	1,660.7	1,665.1	+ 0.3
Missouri	600.9	810.3	846.1	834.6	+ 3.0	6,412.6	6,574.5	+ 2.5
Montana	92.3	119.1	118.8	123.7	+ 3.9	884.6	932.6	+ 5.4
Nebraska	182.5	253.6	255.0	270.5	+ 6.7	1,967.0	2,041.4	+ 3.8
Nevada	43.1	70.1	71.7	72.0	+ 2.7	534.4	549.1	+ 2.8
New Hampshire	75.2	106.5	111.8	112.8	+ 6.0	835.5	858.2	+ 2.7
New Jersey	982.9	1,388.4	1,441.9	1,424.8	+ 2.6	10,953.4	11,183.0	+ 2.1
New Mexico	91.8	142.3	147.5	142.5	+ 0.1	1,144.9	1,148.8	+ 0.3
New York	2,887.9	3,967.4	4,050.3	4,030.5	+ 1.6	31,598.5	31,897.8	+ 0.9
North Carolina	429.0	604.0	585.6	665.8	+10.2	4,538.4	4,669.0	+ 2.9
North Dakota	67.4	98.7	87.2	93.9	- 4.9	690.4	687.0	- 0.5
Ohio	1,476.3	1,891.7	1,956.7	1,927.5	+ 1.9	15,326.4	15,045.6	- 1.8
Oklahoma	268.5	359.1	392.6	366.3	+ 2.0	2,875.0	2,964.4	+ 3.1
Oregon	249.8	357.5	360.3	363.0	+ 1.5	2,696.1	2,748.2	+ 1.9
Pennsylvania	1,678.6	2,169.4	2,236.8	2,240.9	+ 3.3	17,633.6	17,407.9	- 1.3
Rhode Island	129.9	160.0	168.5	165.7	+ 3.6	1,281.7	1,315.3	+ 2.6
South Carolina	210.0	287.8	279.6	311.0	+ 8.1	2,184.7	2,212.3	+ 1.3
South Dakota	73.7	107.0	100.2	102.8	- 3.9	753.4	777.7	+ 3.2
Tennessee	345.9	471.1	488.7	492.1	+ 4.5	3,729.5	3,839.6	+ 3.0
Texas	1,132.9	1,564.4	1,622.8	1,632.9	+ 4.4	12,351.1	12,702.1	+ 2.8
Utah	98.1	151.6	166.7	164.1	+ 8.2	1,197.5	1,255.3	+ 4.8
Vermont	45.9	63.5	63.6	63.5	-	489.4	488.7	- 0.1
Virginia	383.3	609.2	636.8	634.1	+ 4.1	4,790.2	4,895.1	- 2.2
Washington	418.0	570.1	591.1	596.8	+ 4.7	4,402.8	4,568.2	+ 3.8
West Virginia	209.7	264.4	273.1	270.8	+ 2.4	2,135.8	2,124.8	- 0.5
Wisconsin	528.2	725.4	754.0	739.3	+ 1.9	5,854.1	5,864.8	+ 0.2
Wyoming	45.9	64.5	67.0	67.6	+ 4.8	467.0	494.0	+ 5.8

Nation \$24,363.5 \$33,967.7 \$34,770.1 \$34,770.6 + 2.4% \$268,813.8 \$271,499.2 + 1.0%

August 1961, preliminary; July 1961 Revised

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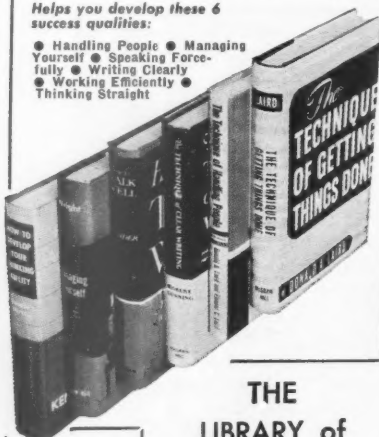
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## New scheme for air rights

Gov. Rockefeller proposes  
middle-income housing  
at \$29 a room atop tracts

Apartments above highways, subway storage yards, piers, schools, and tunnel entrances?

That's the solution to New York City's shortage of middle-income housing advocated last week by Gov. Nelson A. Rockefeller. The recommendation was based on the findings of a committee he had named to study the problem. However, the city's acceptance is clouded by the Nov. 7 mayoralty election.

The proposal would combine the use of air rights above city-owned—and, therefore, tax-exempt—properties with low-interest, 90% state mortgage loans to builders of rental or co-op housing for families of up to \$9,000 yearly income. Rents would run up to \$29 a room a month.

**Quick remedy.** Air rights, long used over taxpaying properties such as railroad tracks in New York and other cities, never have been employed so widely over tax-exempt properties as the committee envisioned: for 250,000 apartments, to be built at 208 locations over 10 years for \$4.75-billion.

The committee felt this would be a good way of making sites available quickly.

Equally important, it would add to the city's tax rolls. It would provide an answer for New York and other cities that now can help builders hold down rents by freeing them of 50% of their taxes, but hesitate to do so on a big scale because of the taxes they would lose.

**Loan agency.** The 90% loans would be made by the State Housing Finance Agency, created last year. Since 1955, the state has made such loans to builders who limit their return to 6%—and thereby hold rents down further. Until last year, the state raised the money for the loans by selling bonds backed by its credit. Because the last such issue of bonds carried by only a close margin in a referendum, the Rockefeller Administration decided to set up the agency and have it sell revenue bonds instead. As a starter, it can sell \$525-million worth. **End**

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Pres. Malcom MacNaughton (right) and Chmn. Alexander G. Budge direct Castle & Cooke's expansion in food and other lines

## COMPANIES

# Hawaii giant jumps to East Coast

**Castle & Cooke, now Hawaii's biggest private enterprise, drives toward larger stake in foods and national marketing base with new Maryland tuna canning operation**

When it became Hawaii's largest private enterprise last spring, Castle & Cooke, Inc., gave a plausible enough reason for the consolidation of its corporate family that raised it to this position. It wanted to increase and diversify its stake in the food industry and provide a national marketing base for its expanded food processing.

Last week, Pres. Malcolm MacNaughton demonstrated that this ambition was more than a gleam in the eye. In Honolulu he announced Castle & Cooke's invasion of the Atlantic Seaboard with a \$1.5-million tuna cannery on the shores of Chesapeake Bay.

**Right up to market.** Tuna processing is not in itself a diversification for Castle & Cooke. Its wholly owned subsidiary, Bumble Bee Seafoods, Inc., Astoria, Ore., is a major producer and packer of tuna and other seafoods with annual volume of around \$23-million. The projected new cannery at Cambridge, Md., snuggles Bumble Bee right up to its juiciest market—metropolitan New York.

Shell of the new enterprise is a large cold storage plant and warehouse just acquired from Consolidated Foods Corp., Chicago. Maryland Tuna Corp., the new subsidiary of Bumble Bee that will operate the plant, will install a modern tuna can-

nery in the warehouse to be ready for the first run of fish next spring.

The new cannery will exploit the recently discovered resources of the South Atlantic between Africa and South America. A partner in Maryland Tuna Corp. is Taiyo-California, Inc., subsidiary of a leading Japanese fishing company, Taiyo Gyogyo Kabushiki Kaisha. Taiyo will operate the fishing vessels that supply the cannery.

**Nest egg.** Financing the expansion presents no problem. Castle & Cooke was already in a comfortable cash position, but this week it was on the verge of receiving a golden transfusion through liquidation of its 6% interest in Honolulu Oil Corp. The proposed sale of Honolulu Oil Corp. to a group of oil companies was slowed up for a time by the Internal Revenue Service's indecision over the tax status of the proceeds, then by Antitrust Div. injunction proceedings.

Federal court rejection of the injunction petition earlier this month apparently cleared the way for Castle & Cooke to realize about \$17-million net after taxes on its 230,000 shares.

With this tidy nest egg, MacNaughton intends to retire the corporation's modest bank debt and use the rest for the corporate expansion that Chmn. Alexander G. Budge and

he have been plotting for several years.

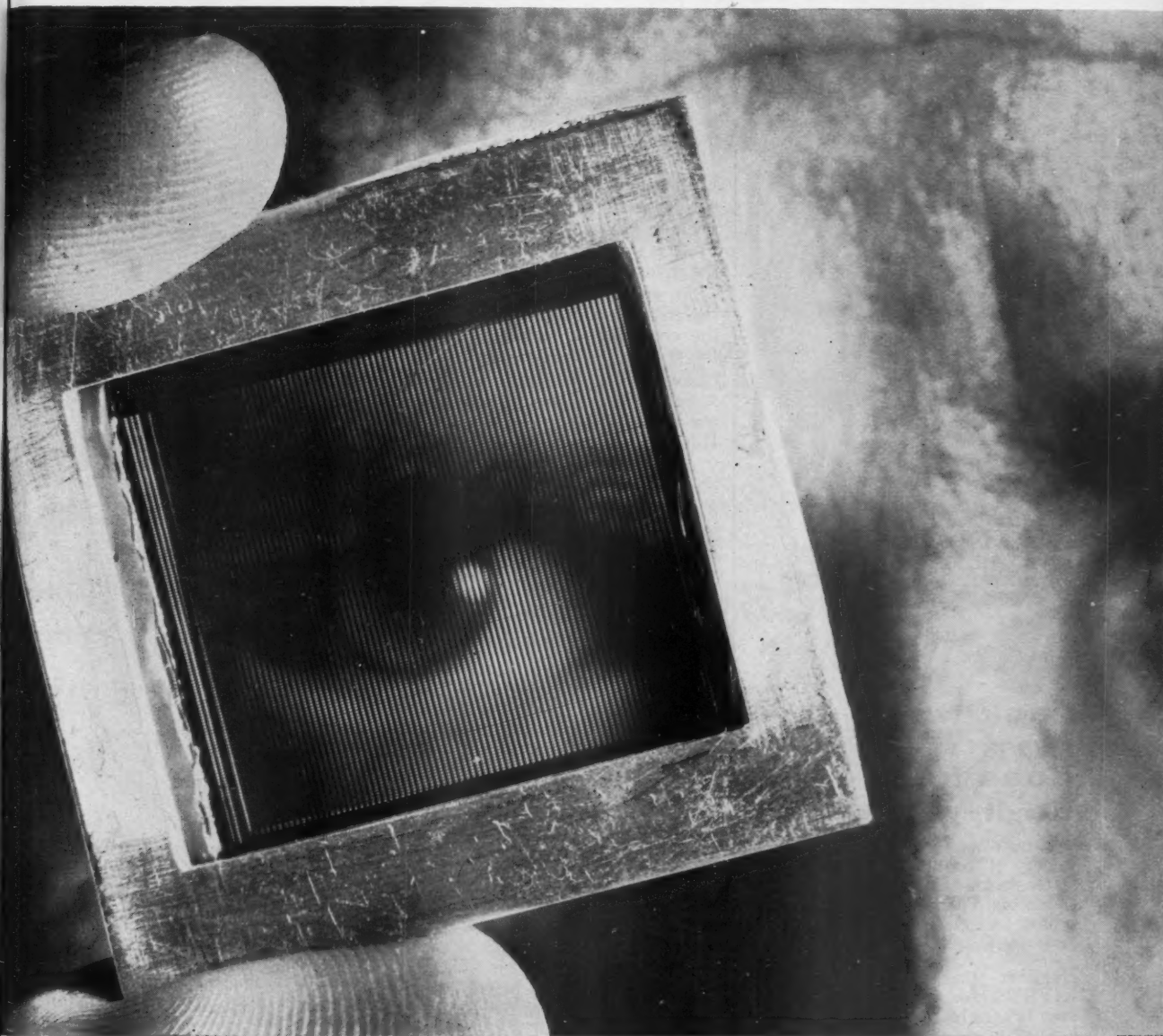
**Centralized.** They put their house in order last May. By an exchange of stock, they acquired for Castle & Cooke full ownership of the majority-owned Bumble Bee outfit (the old Columbia River Packers Assn.) and Dole Corp., the world's leading packer of pineapple products.

They also created a new subsidiary, Oceanic Properties, Inc., to take over, manage, and develop the 162,000 acres that are under the C&C umbrella. In Honolulu, where raw land is commanding premium prices, this new subsidiary, ranking as third largest owner of private land in Hawaii, is the focus of animated interest.

Now, with their \$117-million in assets and their rosy cash prospects, Budge and MacNaughton are providing strong central leadership for what amounts virtually to a department store of businesses.

Castle & Cooke already was not only in pineapple, seafoods, oil, and real estate; it owned either operating interests or large investments in cane sugar, shipping, macadamia nuts, industrial machinery distribution, electronics, stevedoring—even a perpetual care cemetery. With the great flexibility of central ownership and the advantage of centralized, full-time, professional management,

If it interests this special engineering mind...



Master mask (above) controls illumination pattern projected on a photoconductor matrix which forms logical interconnections in a self-repairing computer.

## it's in electronics:

In a single day, an electronics engineer may face problems in research, design, production or management; he may work in any one or all four areas. Only **electronics** magazine has the editorial staff that constantly scours the nation and the globe to report authoritative engineering information in all four areas. Sell the electronics industry alongside the nation's leading manufacturers; advertise to the *interested* engineering audience that reads **electronics**.



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1-141





## Look what DOT does for do-it-yourselfers

Sew-on clothing snaps and a wide variety of wood, leather and fabric fasteners are neatly carded by DOT's Columbia Fastener Company subsidiary for sale to the ever-growing do-it-yourself market.

Hammer-attached DOT SPEEDY RIVETS, for example, are widely used by hobbyists for decorative leather-work and for repairs where ordinary rivets have broken or worn out. Carded TEENUTS and PAL-NUTS are uniquely useful, too, in a multitude of hobby applications.

Handy packaging of small quantities is a convenience for users and retailers alike and Columbia's DOT line is found on notions and hardware counters from coast to coast. Bulk quantities of sew-on dress fasteners are sold to manufacturers under the name "Automatic" dress snaps.

**COLUMBIA**  
**Fastener Company**  
CHICAGO, ILLINOIS  
Subsidiary of  
United-Carr Fastener Corporation

these largely unrelated enterprises could become tougher competitors in their fields.

**Pattern.** There was more pattern than appears on the surface in Castle & Cooke's diversification. New England missions sent Samuel N. Castle and Amos S. Cooke to the Sandwich Islands in 1837 to look after material needs of their missionaries. In 1851 the missionaries were left to support themselves, and Castle and Cooke teamed up as merchants.

To serve shipping between New England and China they became ship chandlers. This led to an investment in Matson Navigation Co., and Matson's shift from sail to steam to the investment in Honolulu Oil.

As sugar plantations blossomed, the partners financed planters. Now the company owns or has large interests in three of Hawaii's 27 plantations. It receives agency fees for supplying executive management to the three, which account for 17% of Hawaii's sugar production.

Arranging insurance coverage for clients led to C&C's 40% interest in First Insurance Co. of Hawaii, a general line underwriter. The same integrating thread runs through investments in a Philippines sugar plantation, the Hawaii planters' giant sugar marketing cooperative, two trucking companies, two trust companies.

Acting as agent for the late James Dole and his fledgling pineapple company led to interest in the now wholly owned Dole Corp.

**Drive.** Dole and Bumble Bee Seafoods are the vehicles Castle & Cooke intends to ride in its drive for a larger stake in foods—a drive the label-conscious food-packing industry will be closely watching.

Dole tried it alone a few years ago and fell flat on its corporate face. To diversify, it bought fruit and vegetable canneries in California and Oregon, aiming to capitalize on the highly successful Dole pineapple label by pasting it on other products of the mainland canneries. It didn't work. Housewives who would pay a premium for the Dole name on a can of pineapple didn't give it a tumble on other foods.

When Dole stock skidded to 7 in 1957, Pres. Henry A. White bowed out. His assistant, Herbert C. Cornuelle, then 37, stepped in, managed to get the company back on the track.

Nobody looks now for any more maneuvers with the Dole label. It's more likely that Castle & Cooke will shop for a recognized vegetable canner whose label can be applied to products of the West Coast canneries, and whose marketing facilities



STARSNAP  
sew-on fasteners



Little things make  
a BIG difference

In ELECTRONICS

AIRCRAFT & MISSILES

AUTOMOTIVE VEHICLES

APPLIANCES • FURNITURE

CLOTHING • LEATHER GOODS

United-Carr's growth is based on three important factors: Individual ingenuity in the practical application of technological advances . . . the highest standards of precision in production . . . and sound financial and management practices.

The corporation's products . . . from the simplest fasteners to a limitless variety of relatively complex electro-mechanical devices . . . help speed assembly, cut costs and improve product performance for the mass-production industries.

For further information on the diversity of products and services offered by United-Carr's ten divisions and subsidiaries, you are invited to write to S. A. Groves, President:

**UNITED-CARR**  
**Fastener Corporation**  
BOSTON, MASSACHUSETTS

Do your prospects feel this way  
about your advertising?



**"helpful"**



**"informative"**



**"believable"**



**"convincing"**

**These are the words men and women use  
to describe advertising in magazines.**

Do people find *your* advertising helpful? Do people believe *your* advertising?

A recent national survey shows that there is a sharp difference in the way people feel about advertising they read in magazines as opposed to advertising they see on TV.

In describing their feelings about magazine advertising, the majority keep saying "believable," "helpful," "convincing."

In the case of tv, only a small minority is able to say so.

This trust with which people regard advertising they read in magazines is a natural product of magazines' long and deep contributions to people's lives. Magazines have stirred interest in education. They have led the way to taste in home furnishings, better understanding of food and health. They have enriched lives with entertainment. Magazines have brought new

understanding about events in the world.

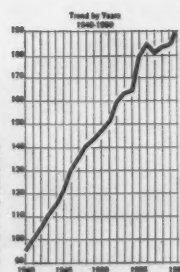
Magazines — with all these qualities of closeness to people, have shared most dramatically, too, in what experts have called the "reading explosion." Magazine circulations have grown faster than population in the last two decades — 45% faster, to an all time high today.

Companies concerned with a vital environment for their advertising message have given magazines an increasing share of the advertising dollar — for the second year in succession.

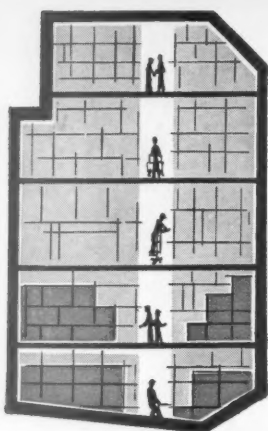
There is a strong tide running toward magazines today. If we can help with up-to-date facts, please call us — or get in touch with the sales staff of any magazine, or let us mail you the latest study on magazine readers' attitudes. The Magazine Advertising Bureau, 444 Madison Avenue, New York 22, N.Y.

#### MAGAZINE READING AT ALL TIME HIGH

CHART SHOWS the huge growth in magazine circulation over the past 50 years up to today's 185 million copies per (average) issue. ABC magazine circulations have grown faster than the population as education and leisure time increased, family interests expanded, and concern with world affairs heightened.

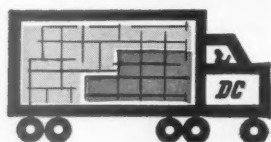


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Call your local D-C representative  
... find out how D-C can serve you  
as your "warehouse on wheels."



**DENVER CHICAGO  
TRUCKING CO., INC.**

The **ONLY** direct coast-to-coast carrier!

128 COMPANIES



Castle & Cooke team under Pres. MacNaughton (next to left); Frederick Simpich, Jr. (left), heading land development; Herbert C. Cornuelle, Dole Corp. (third), and Thomas F. Sandoz, Bumble Bee Seafoods, heading expansion in foods.

can be integrated with Dole's and Bumble Bee's.

Cornuelle is also looking abroad—Formosa and elsewhere—for pineapple growing and packing opportunities so he can compete in Europe and other areas where Hawaii pineapple can't meet price competition (Dole's \$90-million-a-year volume accounts for about 35% of U. S. pineapple production).

**Busy Bumble Bee.** MacNaughton sees many attractions in Bumble Bee Seafoods, not least its potential for fattening the parent company's per-share earnings (on a pro forma basis about \$2.25 last year). It's no secret he wants C&C to be first of Hawaii's Big Five listed on the New York Stock Exchange, as it was a few months ago on the Pacific Coast board. Nothing stirs investors like a good earnings curve.

Another Bumble Bee asset is Pres. Thomas F. Sandoz, who made it one of Transamerica Corp.'s prize operating properties. C&C acquired control in 1958, after the court-ordered separation of Transamerica's banking and nonbanking interests. The fish packer has canneries, warehouses, cold storage plants in Oregon, Washington, Hawaii, Alaska. About 94% of its \$23-million annual revenue is in canned salmon and tuna, the rest in frozen and fresh salmon, halibut, sturgeon, crab, and so on.

Bumble Bee has marketed primarily on the East and West Coasts, not too much in between. The Maryland cannery will not only enable it to serve the rich New York market overnight, but will give it the product supply to assault inland markets.

**Alluring.** Probably the least predictable but most alluring member of the Castle & Cooke family is the brand-new Oceanic Properties, Inc., headed by Frederick Simpich, Jr., a Castle & Cooke vice-president. Simpich is charged with managing 162,000 acres of land valued on the books at \$17.4-million, a fraction of

the true value in Hawaii's real estate boom. The inventory includes:

- Practically all of 90,000-acre Lanai Island. The 15,000-acre central plateau is in pineapple; coastal areas have tourist potential.

- On Oahu, 42,500 acres (much of it in sugar and pineapple) near Honolulu, where residential and business land is sold by the square foot.

- On the island of Hawaii, 23,500 acres, some in sugar and macadamia nuts.

- Near San Francisco, the 6,500-acre Blackhawk Ranch, now growing walnuts and grazing cattle but suitable for eventual residential use.

In deciding what to do with all that land, Simpich must strike the right balance between sugar and pineapple, basic to Hawaii's economy, and residential use, with values rising as much as 1,000% since the war.

**Weather eye.** Clearly, though Castle & Cooke is reaching more and more toward the mainland, it remains deeply rooted in Hawaii. A reason for the stretch is that, like Hawaii itself, it has outgrown the insular milieu, become more integrated into the U. S. economy.

There's also an unspoken but perceptible feeling that it's unwise for Hawaii's Big Five companies to grow too much bigger at home. A new state antitrust law this year was frankly aimed at them, although no one is quite sure when or how it will hit. And the U. S. has been asked to look into the relationship between the Big Five and Matson Navigation. C&C owns 24% of Matson stock, supplies Matson ships with stevedoring and freight agency services. Faced with a choice, MacNaughton would sell the stock, he told a Honolulu audience recently.

With a firm foothold on the mainland, Castle & Cooke should be in a better position to weather state or federal antitrust winds. **End**

BUSINESS WEEK October 28, 1961





# WANT ? A LIFT !

INLAND package engineers can give you one fast. They've helped lift many of America's leading manufacturers to the profit side of the ledger by streamlining their packaging. They are highly trained specialists who know how to determine what you need in a package—and *only* what you need—to assure the safe delivery of your product. And they know how to drive straight past inefficient

packing operations, unnecessary shipping weight and use of space, excessive handling costs, and profit-stealing breakage.

• • •

INLAND specializes in the manufacture of corrugated shipping containers . . . is fully qualified to give you the best answers to all of your packaging problems. Let an INLAND package engineer give you a lift. A telephone call will do it!



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Rome, Georgia  
Biglerville, Pennsylvania  
Louisville, Kentucky  
Dallas, Texas  
Chicago, Illinois  
Philadelphia, Pennsylvania  
Baltimore, Maryland  
Omaha, Nebraska  
South Haven, Michigan



**Directing outbound ship** through channel out of harbor, pilot Melanson (center) calls directions to helmsman at right.



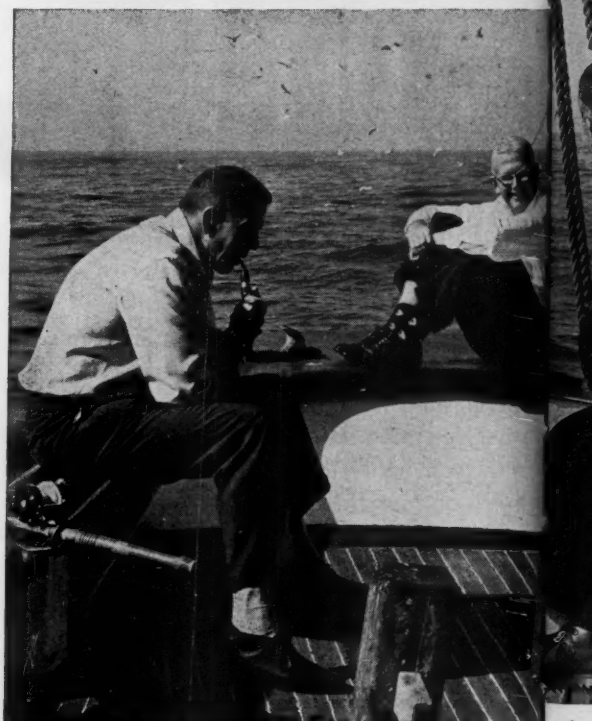
**Melanson bids good-by** to skipper of ship he brought out to safe waters. Pilot ship (right) waits to pick him up.



**Descending Jacob's ladder**, Melanson must jump into outboard sent from pilot ship—a tricky feat in rough weather.



**Approaching Golden Gate Bridge**, bar pilot George Melanson (right) waits to pick up the ship.



**Bar pilots relax** on stern of schooner California as they await their turn of duty. Schooner is one of two alternating pilot ships.



(ht), on inbound Swedish ship Rosario, keeps weather eye out for small boats



they pick up pilots from outbound vessels, and pilot shly them to incoming ones.

## TRANSPORTATION

# Guiding ocean traffic through Golden Gate

**That's the exacting and well-paid job of a private group of master pilots who insure safe passage in and out of San Francisco Bay for more than 7,200 ships each year**

**On beautiful days,** Captain George E. Melanson (pictures) has a share in one of the nicest \$500,000-a-year businesses there is. He and 24 other men comprising the San Francisco Bar Pilots Assn. guide ocean vessels through the Golden Gate and out through a channel in a huge underwater sand bar extending beyond the harbor mouth.

Unfortunately, however, they're not only out on duty pleasant fall

days. They must be patrolling their station in summer when fog often piles up layer on layer over the entrance to the Gate. They're on call in winter when the tule fog may creep down from the delta of the San Joaquin and Sacramento Rivers, meandering past Alcatraz Island and out through the Gate. Not infrequently, they're buffeted by storms that roar down from the Gulf of Alaska and the North Pacific bringing



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## HOW TO MAKE PROFITS

in your own new business!

**1** Start with a business of your own — serving real customer needs with the best possible techniques. I have set up over 875 men in business like this.

**2** Know how to run such a business, efficiently and successfully. I have trained 875 men to run their businesses and I can show you how.

**3** Profit-makers know a good offer when they see it. Be one by writing me today for complete information. An investment is required.

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When your company has a flourishing Payroll Savings Plan for U. S. Savings Bonds, participating employees have the added satisfaction of helping to keep America strong.

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**U. S. SAVINGS BONDS**  
20 Years of Service to America

with them high winds and 15-ft. swells.

**Master mariners.** Despite the hazards of frequently severe weather, membership in the association is a much sought-after goal. The pilots of the SFBPA, a private organization licensed by the California Board of Pilot Commissioners, are all master mariners—they've all been captains of ships sailing the high seas.

"We have no apprenticeship program for pilots," says A. H. Koshkin, the association's president and port agent. "They get their training at sea." Koshkin, 18 years a bar pilot, spent 21 years on the decks of Standard Oil Co. of California tankers—10 as captain—before joining the association. After submitting his application to the commissioners, he had to wait four years for a vacancy. Appointments to the association are made by the commissioners.

**Team work.** Pilots such as Melanson and Koshkin work in five, five-man teams. Each team works four months straight—on call night and day—then gets a month off. Pilot fees are set by the state of California at \$6.25 per draft foot. For bringing in the "average" freighter of 5,000 tons drawing 23 ft., the fee would be \$143.75 for a distance usually under 20 miles. Last year, the pilots handled over 7,200 vessels.

Pilots turn their fees over to the association; after all expenses are paid, the profits are evenly divided. In an average year, a pilot nets about \$20,000.

**Private businessmen.** To patrol their station 11 miles west of the Gate, the pilots own two vessels in which each man has a \$15,000 share. One, the Golden Gate, is a 136-ft. converted Navy minesweeper. The other, the California, is a 127-ft., two-masted schooner of the Gloucester class. The schooner, itself a veteran of nearly 30 years with the pilots, is one of the last of its type doing pilot duty in American waters.

The San Francisco association, except for its schooner and spectacular harbor, is very similar to 40 other associations whose members pilot ships into harbors from Maine to Washington State. All are composed of private businessmen who contract their services out to shipping companies.

Although the San Francisco pilots were affected by the recent West Coast strike of Masters, Mates & Pilots, they were by no means left idle. They continued to handle all foreign ships entering and leaving the Gate. And now that the strike has been settled, business is back to normal for this group of seagoing entrepreneurs. **End**

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**"Olin sheet showed me  
the way to quality,  
prestige and perhaps—  
greatness."**

**"I was proud of my company's product. I liked my aluminum supplier. But I believe in keeping up with the times. When my design engineers praised Olin's creative thinking in special metal applications to make products more saleable, I thought I'd talk to them. Olin recommended a pebble grain sheet — claimed it would give better eye-appeal after painting. Nothing new about pebble grain pattern on aluminum — but something very new about Olin's version — richer, sharper definition, greater three-dimensional effect. Now my product makes my competitors' seem commonplace by comparison. Olin has made me a man apart because they cared." Nobody thinks in aluminum better than Olin — from alloys to marketing. Want to talk to our consultants? Call your Olin Aluminum Distributor or Sales Office.**

**Olin**  
**ALUMINUM**  
600 PARK AVE., NEW YORK 22, NEW YORK

# Minding our own business

BACKSTAGE AT BUSINESS WEEK

**After hours.** A subscriber of ours who works for the Atomic Energy Division of the Navy in Washington was taking a night course in economics at the University of Maryland. He wrote to us, attaching the following assignment, required for completion of his course:



(a) Identify the farm problem. (b) Having done so, recommend a solution. (c) What are administered prices? (d) What are the merits of a system that has administered prices, and what are the problems? (e) How can the problems be solved without destroying the system?

The subscriber asked if we could supply or recommend source material. In a trice, our library whisked him some clippings from Business Week. He passed the course with an A.

**Foresight.** Helpful as it is to students, Business Week is even more helpful to busy executives who want to take



a peek into the economic future. Information about business trends, new methods and techniques, published by Business Week — every week, keeps management men *ahead* of the business news, as well as abreast of it.

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## In new products

BW

### AMF test-markets a couple of plastic items to ease the chores of the housewife

American Machine & Foundry Co. is market-testing two new consumer products based on expensive plastics that are usually associated with industrial applications.

One is a do-it-yourself spray that makes frying pans and other cooking utensils stick-proof for greaseless cookery. The idea was stimulated by recent sales success of frying pans that are factory-coated with a heat-resistant fluorocarbon or silicone plastic that food won't stick to. A can of AMF's spray, selling for \$1.98, contains enough silicone resin to coat about eight pans. The treatment lasts about eight months, according to AMF's product testers. That's not so long as a fluorocarbon coating lasts, but the pans can be recoated when the silicone wears off.

The other AMF product is a virtually indestructible coffee filter made of du Pont Teflon fluorocarbon cloth. The filter will not stain, will not absorb flavor or odor. The material is so inert chemically that nothing will stick to it. AMF says one filter ought to last six months; price is 88¢ for five filters.

### One-can epoxy resin system is developed by Linde

Union Carbide Corp. and several other plastics manufacturers are studying the use of a pre-mixed one-can epoxy resin system containing both the hardener and resin. The usual two-can system requires on-the-job measuring and mixing. Epoxies are a family of plastics widely used as adhesives, coatings, and molding compounds.

The key to the one-can system is a molecular sieve made by Linde Co., division of Union Carbide. The sieve, in the form of fine powder, absorbs and holds the hardener molecules, and prevents the larger resin molecules from entering. Result is the hardener and resin can be combined in the same can and kept apart, instead of using two separate cans. When the resin is ready for use, heat or moisture is used to force the catalyst or caged hardener from the sieve, mixing it with the resin. The resin system is then ready for use after stirring for a few minutes.

Linde plans to produce the molecular sieves for use with resins made by other manufacturers.

### Hay-wafering machine speeds up job of turning out pellets

The \$2.5-billion-a-year hay making business may speed up with a faster hay-wafering machine using centrifugal force. It spouts highly dense pellets of hay at a rate of up to 12,000 lb. per hour. The machine scoops up hay already cut, adds the desired moisture, and extrudes the hay through a series of dies, which form the pellets. They weight approximately 27 lb. per cut ft., twice as much as baled hay, and four times as much as loose hay. In operation, the hay-waferer is towed to its location by a tractor and set to work.

The hay-wafering machine was introduced by the Lundell Mfg. Co. Inc., Cherokee, Iowa. Massey-Ferguson, Inc., has acquired rights to the product, and both companies will manufacture and market it. Price is approximately \$8,000.



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# Protecting the U.S. stake in Europe

With Britain now well on its way to joining the European Economic Community (EEC), the nations of Western Europe finally are moving toward the broad economic and political unity that has been one of the main goals of U.S. foreign policy since Marshall Plan days. Indeed, we now are witnessing the creation in Europe of an economic unit that promises to be far more powerful and dynamic than anyone envisaged a decade ago (page 86).

For the U.S., and the West as a whole, this must be regarded as a highly encouraging development. The U.S. now can expect the leading European nations to pick up an increasingly large share of the military and aid burdens this country has carried for so long. Moreover, the area as a whole should be able not only to withstand any Soviet economic pressure but offer an attraction to Eastern Europe.

But if we are to keep things in perspective, we must also recognize the risks we are running in continuing to back European unity at a time when our competitive position vis-a-vis Europe has become relatively much weaker. There can be no doubt that the larger economic union now developing there will be an increasingly competitive force in the free world's export markets and financial markets.

Still, this very fact means that there is no excuse today, as there seemed to be when the Common Market was launched, for European unity to be achieved very largely at the expense of the trading interests of outsiders, including the U.S. If this is recognized in the upcoming negotiations between Britain and EEC, and our farm exports get the same consideration as those of the Commonwealth, our trade should not suffer very much on balance.

It will not be easy, of course, for EEC to take Britain in as a member and at the same time accommodate the trading interests of both the Commonwealth and the U.S. The French seem doubtful if it is even possible to do this. But British officials are confident that it can be done if the Commonwealth problems are put in the context of broad free world needs, and negotiated on that basis [BW Oct. 21 '61, p34]. And the British view is shared by most EEC members, as well as by top U.S. officials in Europe.

In fact, there are influential men across the Atlantic today who are thinking far beyond the mere accommodations of existing U.S. export interests. Jean Monnet, chief architect of EEC, now talks of the U.S. and Canada being drawn into a wider economic union—an Atlantic Economic Community.

At some point this might well make sense for the U.S., even though it would require a year-by-year, across-the-board reduction of our tariffs on manufactured goods. But so long as our costs remain as high as they are relative to Europe's, our tariff structure is quite low enough. Our main task over the next year or two—in our own interests as well as Europe's—is to keep our economy running at a high level without bringing on another U.S. balance-of-payments crisis.

Before there is any chance that the U.S. might consider membership in an Atlantic Economic Community, our friends across the Atlantic who want us in will have to see that our trading interests are reasonably protected in any British-EEC merger. And they also will have to see that our balance of payments is no longer so heavily burdened with military expenditures on Europe's own behalf.

## Russia's single goal

Anyone who takes a look at the way the Soviet Union has organized and operates its economy (Special Report, page 52) can't help but be impressed with the single-minded purpose with which that nation is pursuing one goal—national power. Already, the Soviet Union's industrial and war capacity is formidable. And despite what the Russian people may prefer from their economy, Premier Khrushchev has let the Communist Party Congress in Moscow know that the Kremlin will give priority to heavy industry for another 20 years.

Even in decentralizing their industrial organization—for all the resulting economic kinks that have resulted—the Soviet leaders have scored a plus. In some degree, they have enhanced their capacity to survive in a nuclear war by fostering economic

autonomy at the periphery of their system. A nation's greatest vulnerability in wartime is reliance on a totally interdependent industrial structure.

For the Russians, there is no letting up. No sacrifice is too big to ask of the people. Not a moment is the Kremlin's eye off the ultimate goal. In view of this Soviet determination, the U.S. must take measures of its own attitudes and of the direction and purpose of its domestic and foreign policy.

That most certainly does not mean that we must adopt Soviet methods. We have our own values and it is vitally important to preserve them. But to preserve those values, we must recognize that we face a tough, determined enemy. Whenever and wherever necessary we must be prepared to make the same sort of sacrifices to build our own power.

## AMERICA'S STORY IS ON EUROPE'S NEWSSTANDS

The face the U. S. is forced, by necessity, to turn to the world in uneasy times is often stern and guarded. It often represents our living standard rather than our standard of values. But what of matters of the heart and spirit? Contrary to the impression of many people abroad, they have not vanished from America.

At Bankers Trust Company, we are investing some of our advertising dollars to reach thought and opinion leaders in other parts of the world to tell them about this aspect of the United States. If you have not already seen it, write to us at 16 Wall Street, New York 15, N. Y., for our booklet, "Little Matters of Great Consequence," which describes this program.



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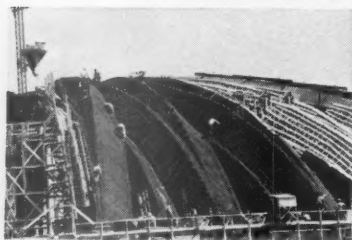




Is usual protection  
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"There isn't another building in the world like this Assembly Hall," says Mr. Dickerson. "That goes for the concept, the construction and the many varied functions it will serve so adequately." Construction like this requires almost constant checking of plans like that being done here by Joe Huntman, Employers Mutuals Construction Specialist, with Richard Foley and Edward Maliskas, key men in the Felmley-Dickerson Company.



The roof is a saucer with a 400 foot diameter... an unusual pattern of ridges and valleys that will arch 128 feet above the center arena without any interior supports.



The Assembly Hall will be used for many events the University could not accommodate before. It will be paid for by student fees and income from rentals. Completion date is scheduled for fall, 1962.

# Wausau Story

AT THE CONSTRUCTION SITE OF THE NEW ASSEMBLY HALL, UNIVERSITY OF ILLINOIS, URBANA CAMPUS



by **RAY C. DICKERSON**  
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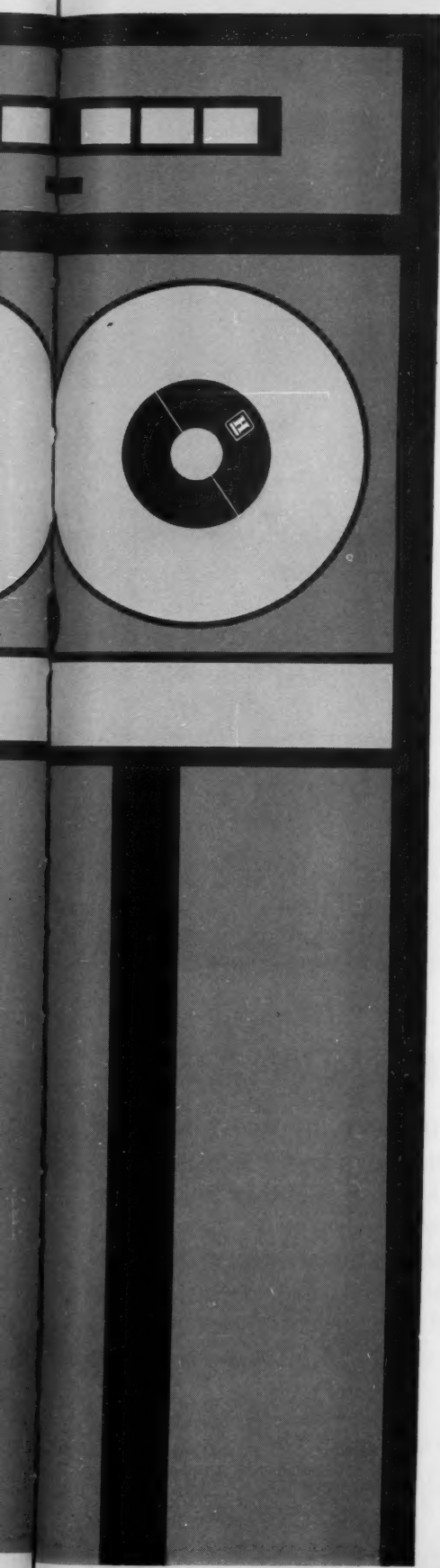
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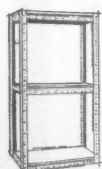
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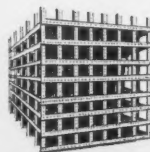
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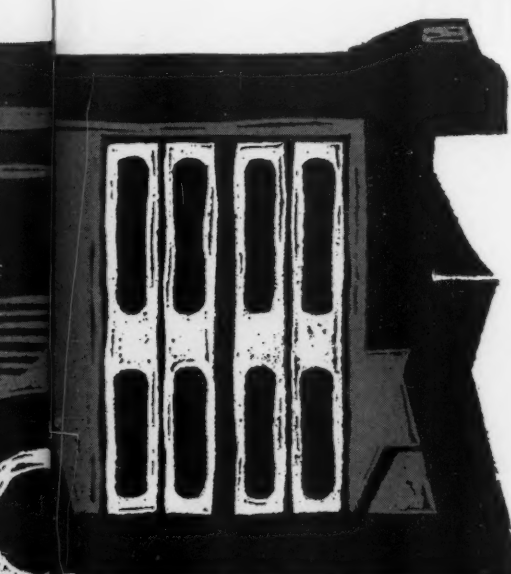
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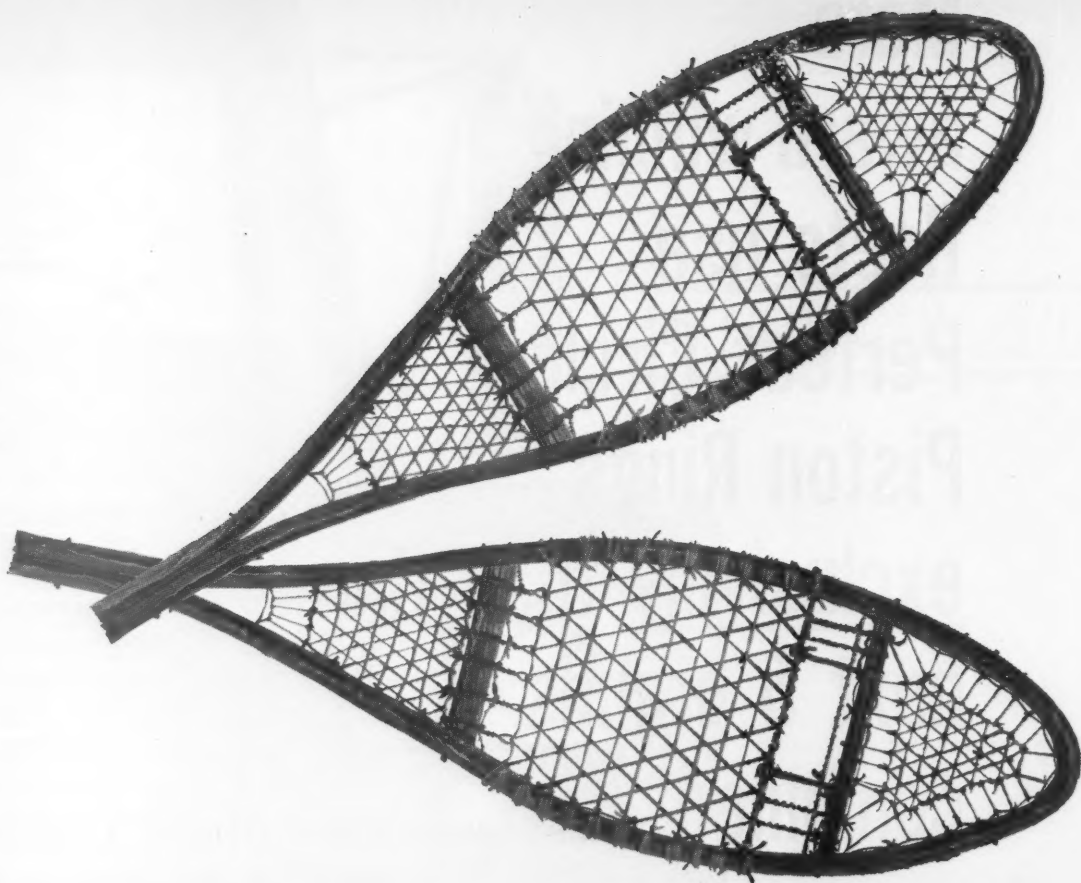
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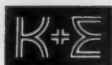
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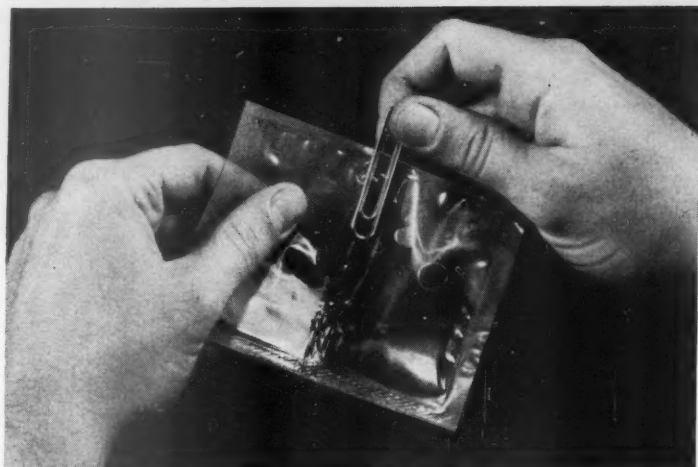
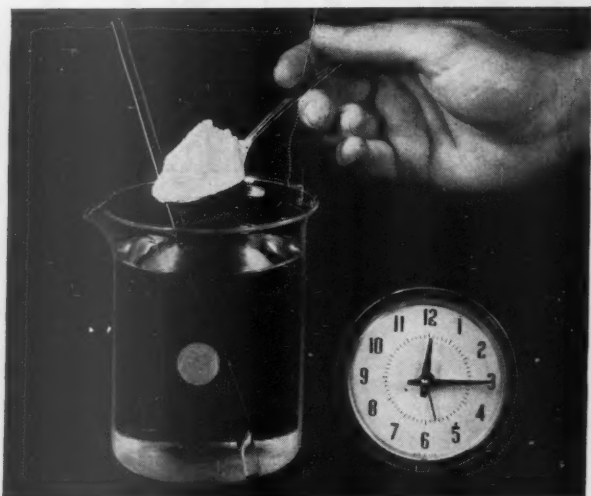
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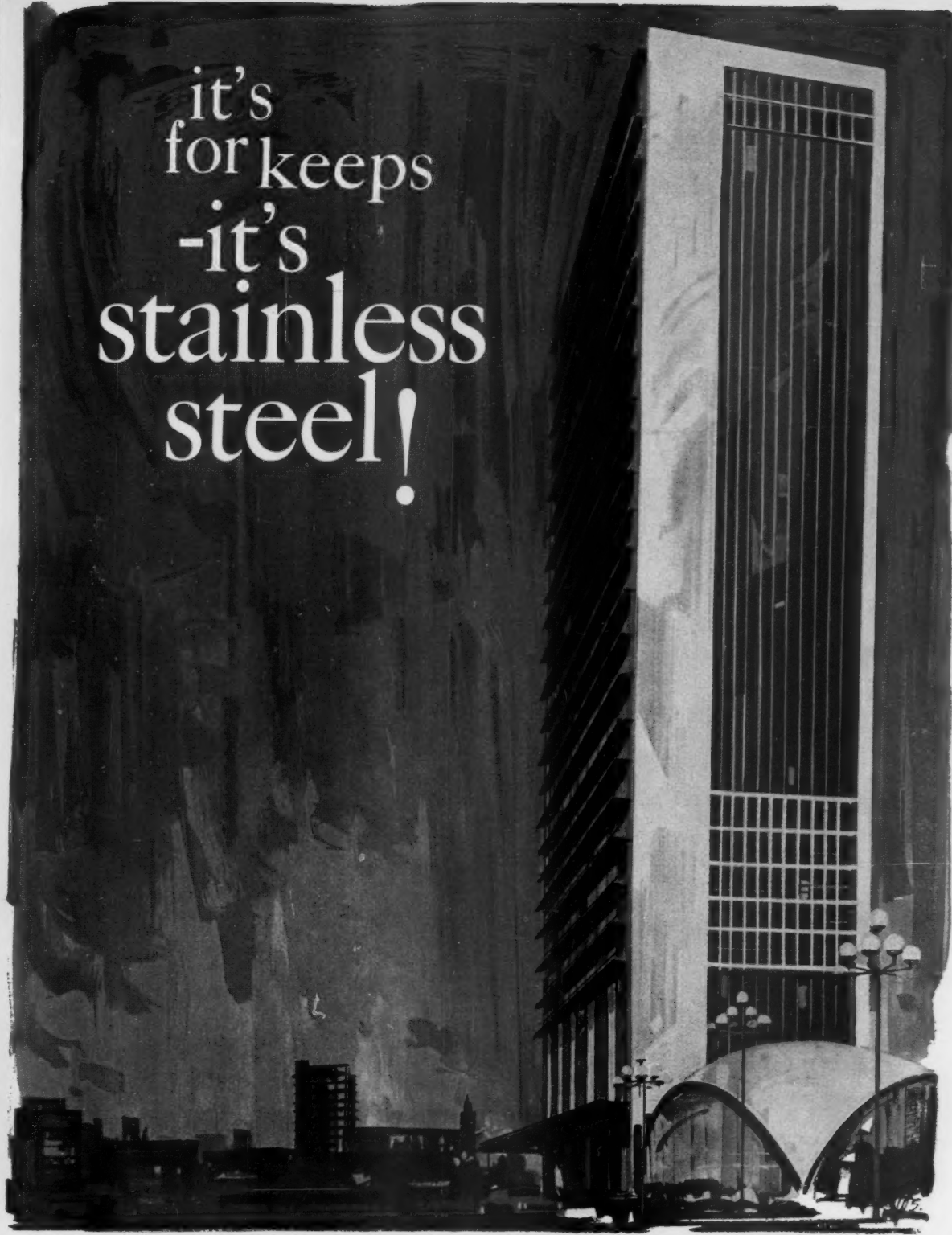
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**8 billion eggs a year**—in bulk cases or retail cartons—go to market in packaging produced by Packaging Corporation of America, a new name in American business with half a century of packaging know-how. A nationwide sales organization—52 strategically located plants.

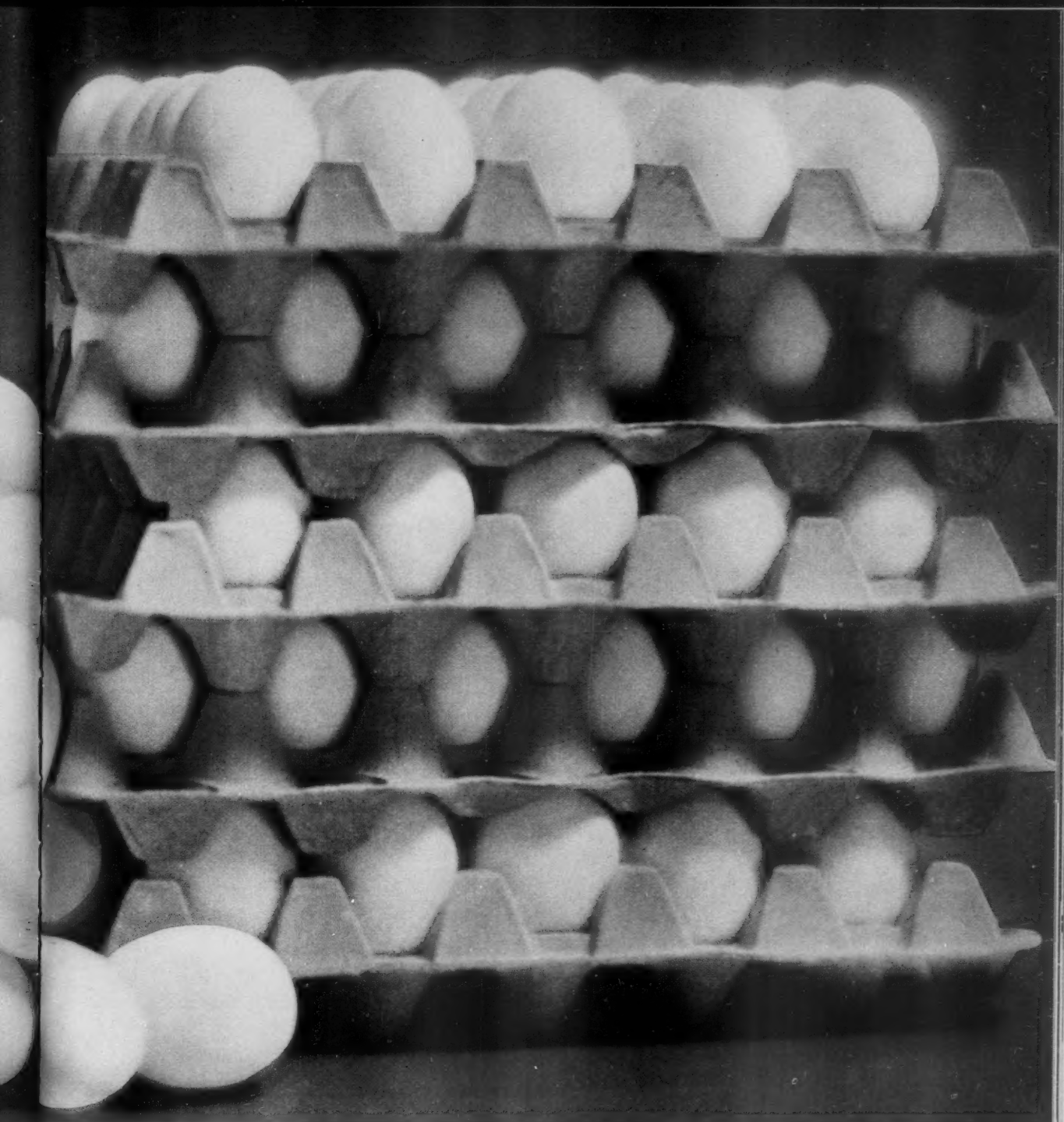
Packaging Corporation—a completely integrated



nationwide organization with 9 mills, 18 paperboard machines, 43 converting plants producing—

CARTONS • CONTAINERS • DISPLAYS • EGG PACKAGING PRODUCTS • MOLDED PULP PRODUCTS • PAPERBOARD • PLASTICS





Shown: Mapes molded pulp Filler-Flats for bulk egg packaging

# *Packaging*

*Corporation of America*



Verifax Bantam Copier, Model B (above) \$132.50

## On-the-spot copying...

A welcome convenience for you and your secretary...  
yours for as little as \$99.50 with a Kodak Verifax Copier.

Put a Kodak Verifax Copier near your secretary's desk and you won't lose her for 10 minutes *every time* you need copies. Also, you'll save 35¢ (or more) in secretarial "travel time" *every time* she makes copies

for you. Which, in itself, soon pays for your Verifax Copier. *And what a convenience!*

Call your Verifax Dealer today for free demonstration in your office, and handy Copy-Cost Computer Set that

shows your savings with Verifax Copying! (See Yellow Pages under duplicating or photocopying machines.) Or write to Eastman Kodak Company, Business Photo Methods Division, Rochester 4, N. Y.

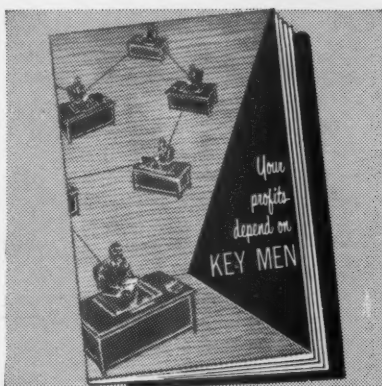
Prices quoted are manufacturer's suggested prices and subject to change without notice.

**Verifax® Copying** DOES MORE... COSTS LESS... MISSES NOTHING

# These booklets can help solve your company's growth problems

The successful company today meets many complex money problems—problems that call for professional help. The help is yours in these five new booklets, up to date and authoritative, from the Phoenix Mutual Life Insurance Company.

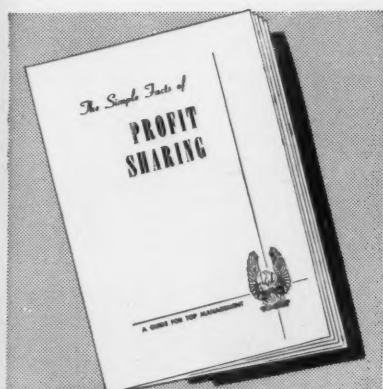
We will gladly send you a copy of any of these booklets—or all of them. Just clip the coupon below and check the booklet you are interested in. Phoenix Mutual will mail your copy, without cost or obligation. Don't delay.



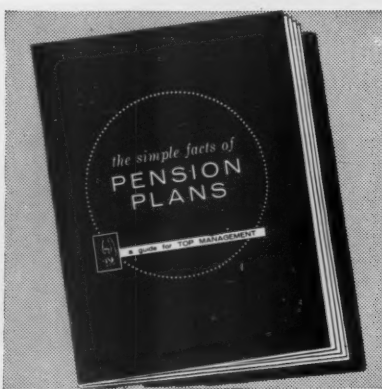
**KEY MEN.** How a growing business can avoid the financial hardships caused by the loss of key employees.



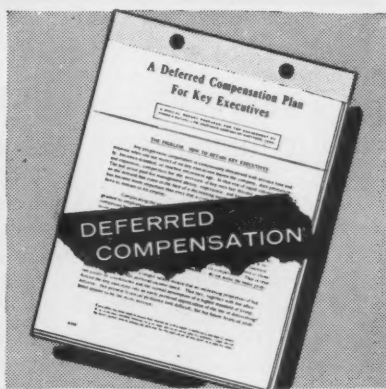
**SPLIT DOLLAR.** How progressive management can provide generous benefits to selected employees at minimum cost to the business.



**PROFIT SHARING.** A simple explanation of one of today's most popular methods for management and employees to share in the rewards of successful business.



**PENSION PLANS.** A 30-page booklet which tells in layman's language how to install and provide the funds for an employee pension plan.



**DEFERRED COMPENSATION.** How modern businesses are solving the financial problems of key executives through deferred compensation.

## PHOENIX MUTUAL

*Business Insurance Plans*

OVER 100 YEARS OF LIFE INSURANCE  
PROTECTION FOR BUSINESS AND FAMILIES

Phoenix Mutual Life Insurance Co., 397 Elm Street, Hartford 15, Conn.

Please send me without charge the new booklets I have checked below.

☐ KEY MEN ☐ SPLIT DOLLAR ☐ PROFIT SHARING ☐ PENSION PLANS ☐ DEFERRED COMPENSATION

Name

Business Address

City  State



## Another New Hospital to Meet the Critical Needs



### PIEDMONT HOSPITAL Atlanta

*Architects: SHUTZE, ARMISTEAD & SAGGUS AND ASSOCIATES-  
WILLIAMSON, VAUGHT AND SPIKER; Engineers: NEWCOMB & BOYD;  
Mechanical Engineering Contractor: GILLOOLY AND STEPHENSON;  
General Contractor: BEERS CONSTRUCTION COMPANY, Atlanta, Ga.*

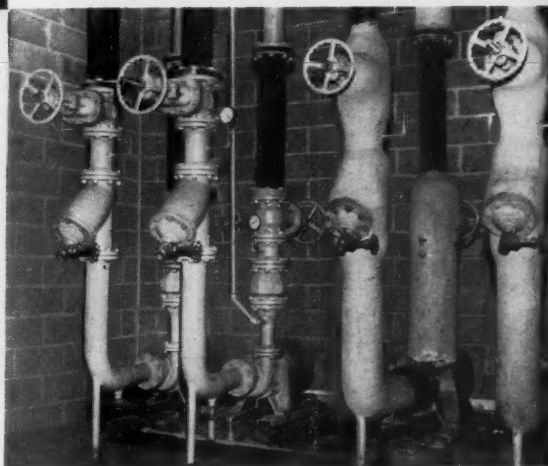
Like so many built today . . .  
equipped with **JENKINS VALVES**  
to minimize trouble and expense

Modern hospitals are planned with the knowledge their facilities will quickly be overburdened . . . that equipment will be overworked 24 hours a day, every day. Planned, also, to minimize operating expense and all the costs of hospital care.

When it comes to buying valves for the plumbing, heating and air-conditioning systems, experts in building hospitals have a ready and proved answer to the problem. One after another after another calls for JENKINS. They do it for an unbeatable reason:

An extra-measure of quality prepares Jenkins Valves to stand punishing service longer, and with less expense for maintenance.

Are you "settling for less" than the extra-measure of quality guaranteed by the famous Diamond trademark? You should not, for you can specify *Jenkins* without paying a penny more than you'd pay for any lesser brand name on a good valve. Jenkins Bros., 100 Park Avenue, New York 17, New York.



The entire plumbing, heating, air-conditioning system for this 300-bed hospital is controlled by Jenkins Valves.

# JENKINS

MOST TRUSTED TRADEMARK IN THE VALVE WORLD

# VALVES



*Available From Leading Distributors Everywhere*

# These companies make news, working with aluminum...

WHAT CAN THEY MAKE FOR YOU?



The Moloney Company opens the door to business. Now, this big Cleveland maker of aluminum doors has a brand-new product for stores, office buildings and factories. A unique electronic welding process makes it *stronger* than types previously used. It has self-storing aluminum screens, double-strength glass panels, and is completely weatherstripped. Few firms can produce a commercial door backed by so much know-how.

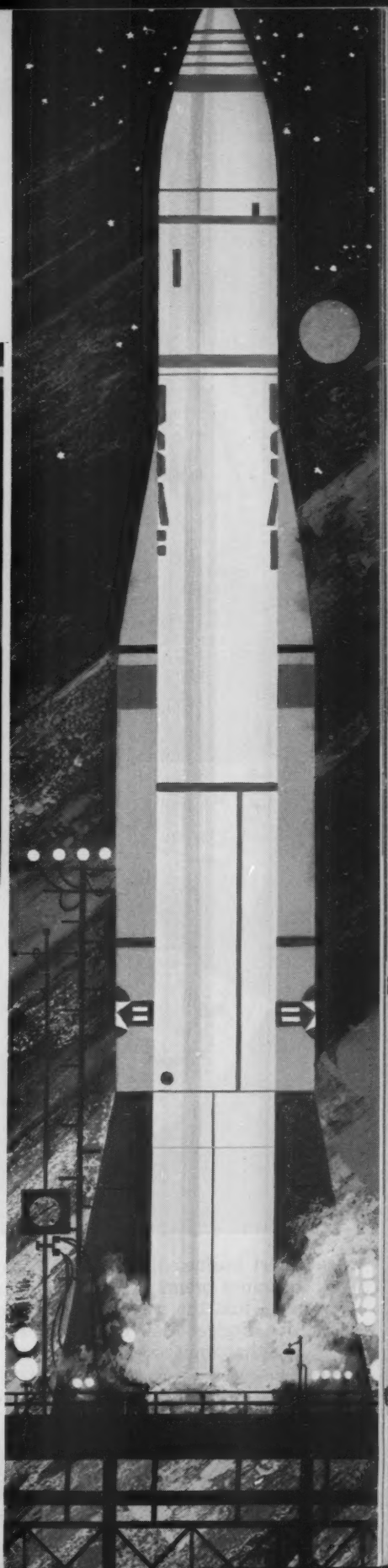
All-State welding wire and solders stand up to missile stresses and strains. The job of holding space-age aluminum components together is a specialty of this White Plains, N. Y. firm. With the world's most complete line of aluminum welding, brazing and soldering rods for joining, ALL-STATE helps hold together everything from 707 jets and advanced missile systems to DEW-line radar stations and missile launching destroyers.

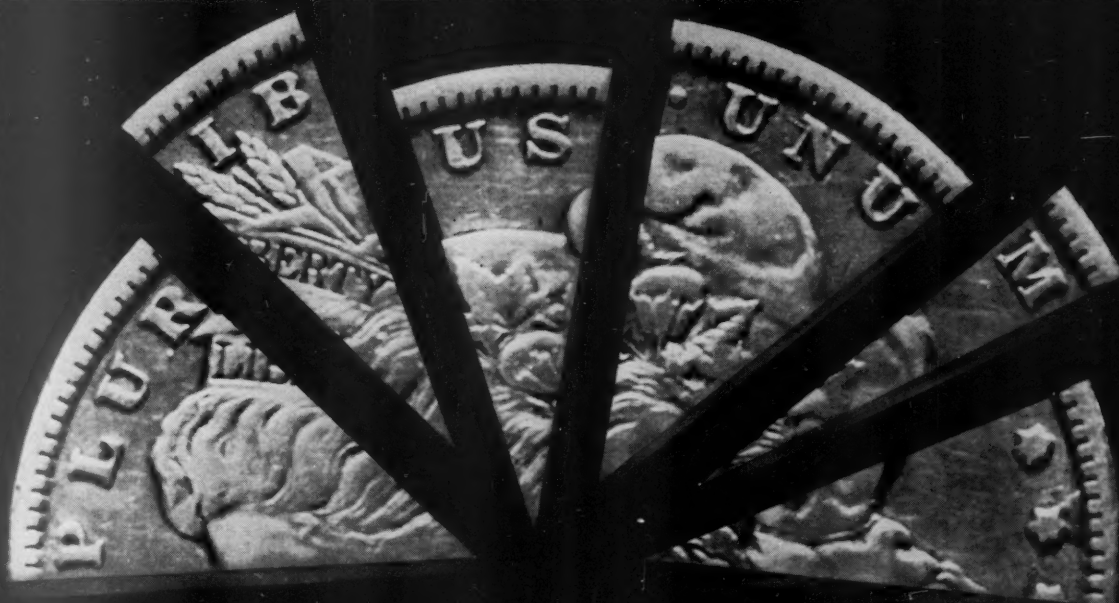
IF you buy aluminum parts or products, these manufacturers . . . and other Aluminium Limited customers . . . can help you with ideas and practical know-how. To help them help you, they can draw upon the research and engineering facilities of Aluminium Limited.

We at Aluminium Limited *specialize* in supplying top-quality ingot from Canada to independent metal-working companies which have no aluminum-producing facilities of their own.

## ALUMINIUM LIMITED

Aluminium Limited Sales, Inc., 111 West 50th Street, New York 20, N. Y.  
SUPPLYING METAL AND IDEAS TO COMPANIES  
THAT WORK WITH ALUMINUM





## Pay Your Insurance Monthly THE EASY AFCO WAY



Smart businessmen today are paying their business insurance premiums in installments to fit their budgets—just the way they pay their other bills. The Afco Budget-Plan eliminates those large insurance bills that sometimes come at just the wrong time for you.

With the low-rate Afco Budget-Plan you avoid

those lump-sum payments that drain off your working capital.

Your local independent insurance agent or broker can show you how to take advantage of this practical, sensible way to pay business insurance premiums. Ask him about it now . . . for easy budgeting of your insurance premiums. Don't put it off—call him today!

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KANSAS CITY • LOS ANGELES • MIAMI • SAN FRANCISCO





## NON-PRODUCTIVE FLOOR SPACE . . . rent collector in cost of possession

Dust sifting softly down on idle steel stocks . . . the costly silence of inactive dollars "invested" in idle steel . . . "rent" for space that isn't producing anything.

Here's a solution . . .

Use the complete stocks of your nearby steel service center just as if they were your very own. Their convenience and availability are augmented by other economies, too. Plus first-step processing services your center is able to provide.

Your production and cost accounting people may want to figure the *true cost* of steel stocks. Ask your steel service center salesman for the booklet, *What's Your Real Cost of Possession for Steel?* Or write to Steel Service Center Institute.

**COST OF POSSESSION . . . to determine your own cost of possession for steel in inventory, consider all these factors:**

Cost of capital: inventory, space, equipment

Cost of operation: space, material handling, cutting and burning, scrap and wastage

Other costs: obsolescence, insurance, taxes, accounting

## YOUR STEEL SERVICE CENTER

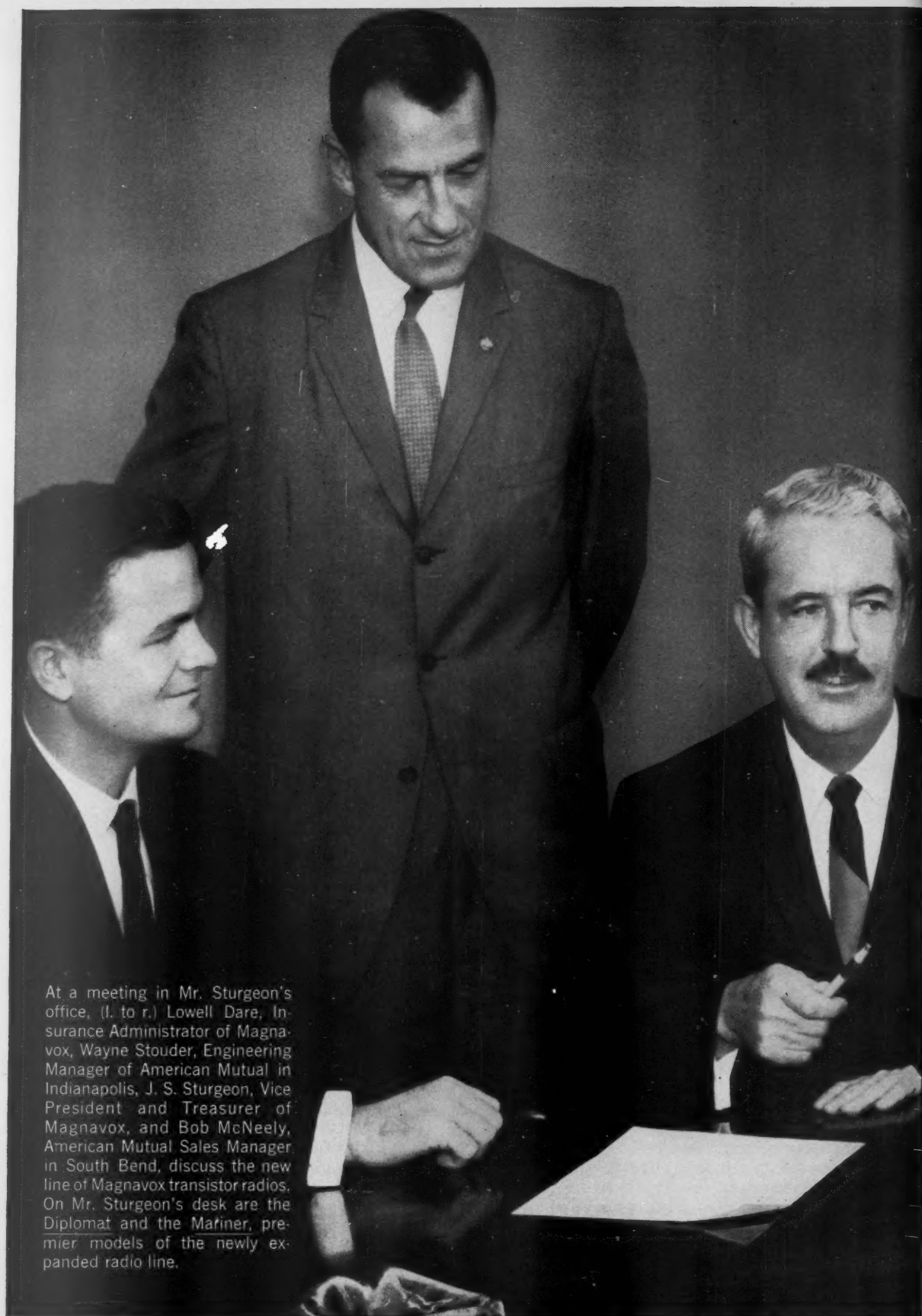
STEEL SERVICE CENTER INSTITUTE

540-B Terminal Tower • Cleveland 13, Ohio



Convenient to every steel user, steel service centers are customer-oriented, technically competent, fully equipped for fast delivery of steel in any type, form, and quantity.





At a meeting in Mr. Sturgeon's office, (l. to r.) Lowell Dare, Insurance Administrator of Magnavox, Wayne Stouder, Engineering Manager of American Mutual in Indianapolis, J. S. Sturgeon, Vice President and Treasurer of Magnavox, and Bob McNeely, American Mutual Sales Manager in South Bend, discuss the new line of Magnavox transistor radios. On Mr. Sturgeon's desk are the Diplomat and the Mariner, premier models of the newly expanded radio line.



**PROBLEM:** How to specify moisture protection for your product without being an expert on packaging papers or coatings

**SOLUTION:** With International Paper's new "Levels of Protection" you buy precisely the packaging protection you need and no more

Now, with its "Levels of Protection," International Paper cuts through the confusion resulting from the many different types of moisture-barrier papers available today.

The "Levels of Protection" system provides the first effective yardstick for comparing one moisture-barrier paper with another. This means you don't have to be an expert on papers, coatings and weights to get the best packaging for your money.

This new rating system evaluates all our moisture-barrier papers—regardless of type or weight of coating—against a scientifically graduated scale of *levels of protection*. Knowing what product you package, we can quickly recommend the most effective level of protection for that product.

But this rating system has another dimension. Since we can supply a number of different types of moisture-barriers for any given level of protection,

we can offer you the *one barrier* that *most economically* furnishes the level of protection you require for your product.

This new system is another example of the complete packaging service offered you by International Paper. Service which includes a complete range of paper packaging and paper packaging materials, skilled packaging engineers, printing and design service.

For full details, call any of our sales offices or write us direct.



**INTERNATIONAL PAPER**

NEW YORK 17, N. Y.

*Manufacturers of papers for magazines, books, newspapers • papers for home and office use • converting papers • papers and paperboards for packaging • labels • folding cartons • milk containers • shipping containers • multiwall bags • grocery and specialty bags and sacks • pulps for industry • lumber, plywood and other building materials*





**Cinadent**  
"FOR WHITE TEETH"



KING SIZE

# FINICKY EMPLOYEE APPETITES

... now automated  
food service  
provides the variety  
they crave

America's eating habits are changing, food experts say. There's more snack-type, off-hour eating—shorter meal-times—definite emerging patterns of taste. For plants that provide manual employee feeding, these trends pose a real problem. Solution: Canteen automated food service.

Canteen® vending machines provide hot and cold foods of superior quality, planned by dietitians who know how to please American tastes. These foods are instantly available, night or day; menus vary throughout the work week. Employees gain by getting the kind of food they like best. Management gains by avoiding the high overhead of manual food preparation and serving.

Canteen offers a complete, country-wide automated food service, locally operated and managed, thoroughly reliable, accurately audited. *Only from Canteen can you get Canteen service.* For the whole story, call Canteen—conveniently listed in the Yellow Pages.

Canteen Servinette® vending machines provide a complete, automatic food service, handy to personnel. Service is immediate on all hot or cold items; all foods are uniformly tasty; coffee is freshly brewed always.



**This is Automatic Canteen:** Canteen Service—hot and cold foods and beverages, candy, cigarettes; A. C. Automatic Service, Inc.—AMI music systems, Rowe vending machines, A. C. bill and coin changers; Nationwide Food Service, Inc.—in-plant catering; Commercial Discount Corporation and Hubshman Factors Corporation—financing; Canteen services abroad—Canteen International, S.A.

**A C**  
**AUTOMATIC CANTEEN**

AUTOMATIC CANTEEN COMPANY OF AMERICA • MERCHANDISE MART PLAZA • CHICAGO 54, ILLINOIS



TREE COATING BY CORDEN PAINT CO., BEVERLY, N. J.

## BUTON® RESINS—another research breakthrough by Enjay

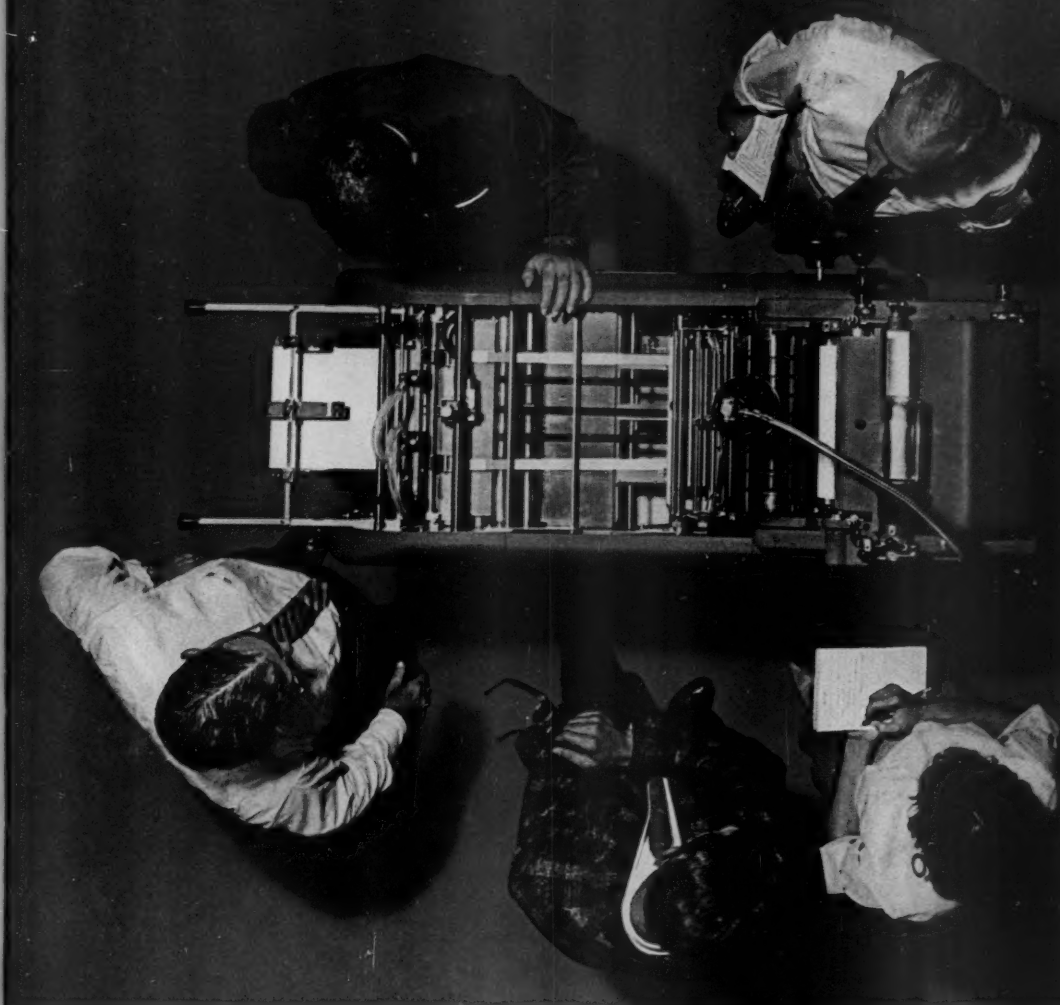
Buton resins, an exclusive new product of Enjay research, form the tough, durable coating that keeps aluminum Christmas trees shining brightly. Buton also protects many of the presents that go under these trees. Users of auto and appliance primers, container coatings, metal strip coatings, furniture lacquers and other surface coatings have much to gain from a closer acquaintance with Buton resins. This

versatile new resin series offers such important advantages as high gloss, rapid cure, chemical resistance and excellent adhesion to a variety of ferrous and non-ferrous metals. Similar research at Enjay is breaking new ground in the fields of chemicals, plastics, rubber and petroleum additives. To put its results to work for you, write to Enjay, 15 West 51st Street, New York 19, N. Y.

ENJAY CHEMICAL COMPANY, a division of Humble Oil & Refining Company







## Call it what you like—you'll probably be right!

Each of these people — they could be from your own company — has a distinctly different slant on just what kind of machine this Multilith® Offset duplicator really is.

■ One will call it a production machine — he sees it as the vital cog in rapidly routing information to all departments involved in keeping production lines moving. Your sales and accounting heads see it as an order-invoice machine. It's a shipping machine to the men in that department — it pro-

vides shipping lists, even the labels, they need. To your secretary it's an office machine, turning out reams of reports that all look like "originals". ■ Call it what you like, you can accurately say it's a cost-cutting machine. In any department, Multilith systems automate your paperwork, help you break one of your biggest barriers to greater profits. But let's talk specifics — call your nearby Multigraph® representative.



**Addressograph-Multigraph Corporation**



**THERE'S A NEW GENERATION** in packages for household products—the new, colorful, easy-to-use, hard-to-damage plastic bottles. If you're thinking about plastic packaging for your product, remember . . .

**Continental has the  
right <sup>PLASTIC</sup> package for you!**



**CONTINENTAL CAN COMPANY**

SERVING INDUSTRY...SERVING AMERICA

CANS • VAPOR VACUUM® AND TWIST-OFF® CLOSURES • FLEXIBLE PACKAGING  
FIBRE DRUMS • SHIPPING CONTAINERS • STEEL CONTAINERS • PAPER CONTAINERS  
PLASTIC CONTAINERS • FOLDING CARTONS • DECOWARE® • CROWNS AND CORK  
BONDWARE® • HAZELWARE® • BAGS • GLASS CONTAINERS • METAL CAPS  
KRAFT WRAPPINGS • BOXBOARD • CONTAINERBOARD • MULTIWALLS







From top: Rubbermaid letter tray, Fedders Air Conditioner, Control Data Corporation 160 Computer, Smith-Corona Marchant typewriter.



## Helping to step up business!



You are looking at new ways in which Gen Tel is helping busy executives to get more done in a day.

They're the new Call Commander and Push-Button phones, plus phones in color to spruce up the office.

Call Commander gives you push-button control of 17 incoming and outgoing calls, lets you set up a "conference circuit" with 6 other people, even doubles as an intercom—all right at your desk!

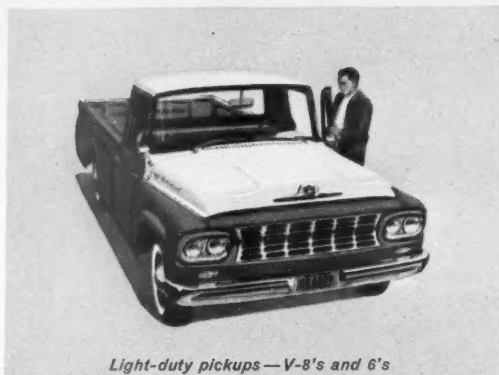
The Push-Button phone lets you select any of 5 lines, hold calls, buzz your secretary, or use the phone as an intercom.

Produced by our manufacturing subsidiary, Automatic Electric, these ingenious instruments typify the continuing efforts of General Telephone & Electronics to supply the Independent telephone industry with the most advanced telephone communications—for business and homes.

General Telephone & Electronics Corporation, 730 Third Avenue, New York 17.

**GENERAL  
TELEPHONE & ELECTRONICS**





*Light-duty pickups—V-8's and 6's*



*METRO-MITE®—up to 1000 lbs. payload*



*Standard METRO® for multi-*



*Compact-design trucks with more payload area*



*School bus chassis for safety, dependability*



*Conventional heavy-duty standard*



*Compact-design highway haulers*



*Tilt-cab accessibility for many jobs*



*Cab-over-engine 48-inch*

## *Just name your job...there's an*

The seventeen truck models you see here represent the famous INTERNATIONAL line—most complete line of motor trucks in the world.

These INTERNATIONAL models are the basis for thousands of specific variations, designed to solve every conceivable kind of transport problem... to give you the *right* truck for the job!

From the compact SCOUT to over-the-highway truck-tractors that move gross loads of 127,000 lbs., International Harvester builds them for every general

use, as well as any special application you have.

To help keep these quality trucks on the road, making money for their employers, IH has developed America's largest network of factory branches, dealers and parts depots... to provide efficient, *quality* service in a hurry.

There is an INTERNATIONAL Dealer or Branch just a phone call away. Check the Yellow Pages. International Harvester Company, 180 North Michigan Avenue, Chicago, Illinois.





RO® for multi-stop operations



Door-to-door milk delivery specials



Medium-duty trucks for many jobs



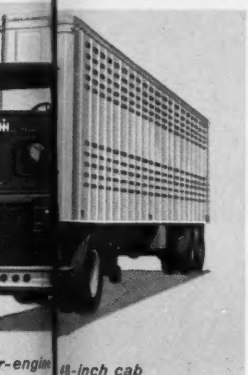
heavy-duty standard of the road



Famous V-8's in 4- and 6-wheel models



For roughest off-highway assignments



48-inch cab

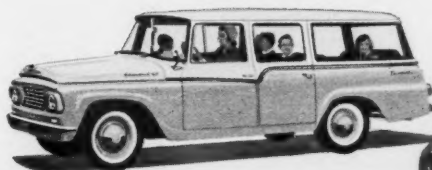


New conventional heavy-duty models



Highway king—premium quality tilt-cab

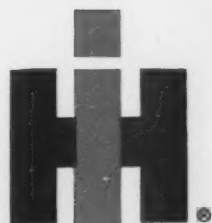
# International Truck to do it



THE TRAVELALL® is a full-week worker with style and comfort.



THE SCOUT® for work or play. It can be a pickup, a convertible, an open air runabout.



WORLD'S MOST COMPLETE LINE

It's the Compact . . . compact in appearance and in fact. And notice . . . the compactness is between the keyboard and the carriage. All the dead air space has been engineered out. But the important work areas are set up the same as in other electrics. The carriage is a full 12 inches and the return is electric—automatic. The keyboard, too, is full size (and with new features). This is the whole idea—compactness. This is American engineered compactness—a more efficient product to do the job and so a more efficient price—\$249\*. Available in three decorator colors and all the crisp type styles you'll ever need. See the Compact today. Call your local Smith-Corona Marchant representative, or mail coupon on opposite page.

\*Plus tax

the compact office electric by Smith-Corona Marchant: \$249\*



**SCM SMITH-CORONA MARCHANT**

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to-  
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s tax



the bedding business  
these days  
**THINKS BIG**  
with **URETHANE FOAM!**

People are growing taller. This fact, more than glamorous connotations of the so-called Hollywood bed or national tendencies to self-indulgence, accounts for the current trend to super-size bedding.

Volume-minded merchants see in the trend more than the sale of mattresses. Box-springs, beds and accessories are automatic tie-ins at a time when the bedding industry badly needs more and bigger sales.

Urethane foam is helping in two ways to develop this shot-in-the-arm for the bedding business.

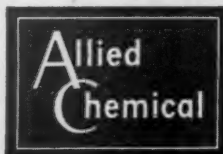
Its light weight makes king-size mattresses easier for queen-size housewives to lift, turn and make-up.

And it keeps costs in bounds, without sacrificing comfort, appearance or durability, so super-sizes need not be kept in super-luxury price ranges to be sold profitably.

Urethane foams, elastomers, coatings and adhesives are solving many thorny problems and providing new opportunities for business. We help to point the way by supplying urethane producers with quality components and experienced application research.

## ACTOL Polyethers

Newest addition to our comprehensive line of urethane chemicals which now includes NACCONATE® Diisocyanates, polyester resins and GENETRON® Blowing Agents. Write for product data.



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## The penny savings was a success...but the product died...*on washday*

And Madame Customer is *sore!* At whom? Not at some supplier, it's the manufacturer she's mad at. He cut costs by ordering "cut-rate" parts...and lost his product's good name on washday.

Whether you make laundry equipment or not, the same consideration must be made in preserving product reputation. Reliability begins with your product's smallest part... with a fastener for example. And *no* fastener is more reliable than a Tinnerman SPEED NUT. From selection of top grade steel through die design, production, heat treatment and finish, Tinnerman quality specifications are the

highest in the industry. Tinnerman's fine production is built on a foundation of 35 years of manufacturing and engineering know-how which contributes largely to this reliability factor. To sacrifice any of these for a few pennies savings is to risk the quality of *your* product.

In this competitive buyer's market you would be wise to demand Tinnerman's level of quality from *all* your suppliers. See your SPEED NUT Sales Engineer soon. He's listed in most "Yellow Pages" under "Fasteners," or write to: *Tinnerman Products, Inc., Department 12, P. O. Box 6688, Cleveland 1, Ohio.*

CANADA: Dominion Fasteners Ltd., Hamilton, Ontario.  
GREAT BRITAIN: Simmonds Aerocessories Ltd., Tre-forest, Wales. FRANCE: Simmonds S.A., 3 rue Salomon de Rothschild, Suresnes (Seine). GERMANY: Mecano Simmonds GMBH, Heidelberg.



**TINNERMAN**  
*Speed Nuts®*  
Look for the Tinnerman "T"

# How much of your working capital is really doing its work?



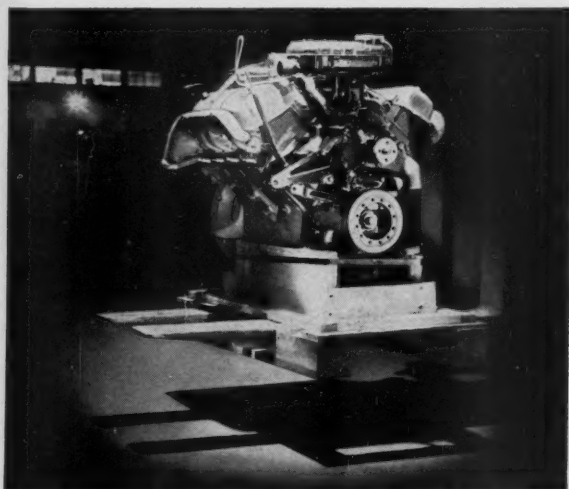
Unnecessary distribution costs keep your capital out of more profitable ventures. Faster, *surer* transportation can cut expenses right across the board. Here are just four ways TWA Air Freight can free your working capital to do its work.



**INVENTORY HOG-TIES IT!** Cut your money loose! Earn a faster return on capital with reduced inventories ... frequent reorders by fast, dependable TWA Freight.



**WAREHOUSING CAN IMPRISON IT!** Warehousing costs can be as high as 2% per \$1000 earned. Minimize them. Ship TWA Air Freight direct from factory to outlet.



**PACKAGING COSTS A BUNDLE!** Goods shipped by TWA Air Freight need only *light* wrapping or none ... arrive ready to sell. You save many extra shipping costs.



**OBSOLESCENCE THREATENS LOSS!** Any product can grow old before it's sold ... sometimes overnight. Keep stock low, turnover high with TWA Air Freight.

**Check your distribution system—modernize it! Today's air freight rates are lower than ever! Call your TWA Air Freight office now!**

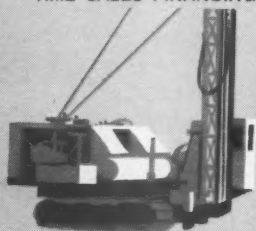
For free booklet on Air Freight savings, write TWA Air Freight, 380 Madison Ave., New York 17, N.Y.

**TWA**  
**AIR FREIGHT**

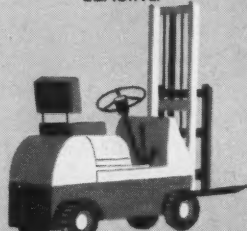


## A new product from Ingersoll-Rand: **MONEY** for

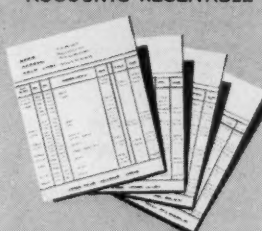
TIME SALES FINANCING



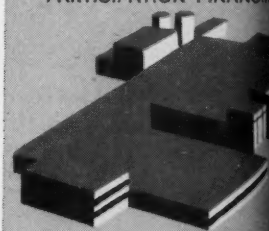
LEASING



ACCOUNTS RECEIVABLE



PARTICIPATION FINANCING



With the formation of Ingersoll-Rand Financial Corporation, wholly owned subsidiary of Ingersoll-Rand Company, we are now prepared to provide credit to both buyers and sellers of heavy durable goods or to those who wish to lease such equipment. Ingersoll-Rand Financial Corporation will provide working capital to manufacturers or their distributors and will operate in industry . . . throughout the world. The company plans to be active in the accounts receivable field and will be interested in purchasing portions of portfolios in participation financing.

Ingersoll-Rand Company has been a leader in the manufacture of heavy durable goods for industry and construction for nearly a century. This highly diversified industrial know-how and proven business acumen is your extra dividend in getting your working cash from the Ingersoll-Rand Financial Corporation. We feel uniquely qualified to offer sound business counsel and technical advisory aid in preparing a finance plan tailored to your individual needs.

In adding Money to its service to industry Ingersoll-Rand gives evidence of its faith in the future economy of the nation as well as of the entire free world.

Inquiries regarding the credit or leasing facilities of Ingersoll-Rand Financial Corporation are welcome, and will be answered promptly.

### A FEW INGERSOLL-RAND FINANCIAL CORPORATION BENEFITS

- Longer terms of credit
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- New equipment without using working capital
- Means of leasing equipment
- Money for firms that cannot get bank funds or enough bank credit
- Money for use in connection with Government lending agencies
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- Meeting seasonal requirements
- Immediate benefits from new equipment
- Attractive terms
- Low cost

## Ingersoll-Rand Financial Corporation

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*Richard C. Doane, Chairman of International Paper Company, comments on the power of reading...and advertising.*

## **"Reading is essential...men who read more buy more"**

"Our own advertising, which says: 'Send me a man who reads,' has generated requests for half a million reprints in less than six months. This vividly demonstrates the power of—and interest in—the Printed Word.

"Of course, only certain men respond to a message like this. But they are the very ones we want to reach, the men in command. The beauty of advertising in print—where 75 per cent of the total is today—is that it selects just such readers.

"If you have goods or services to sell, I commend to you the power of the printed page. For men who read are generally those in a position to buy."



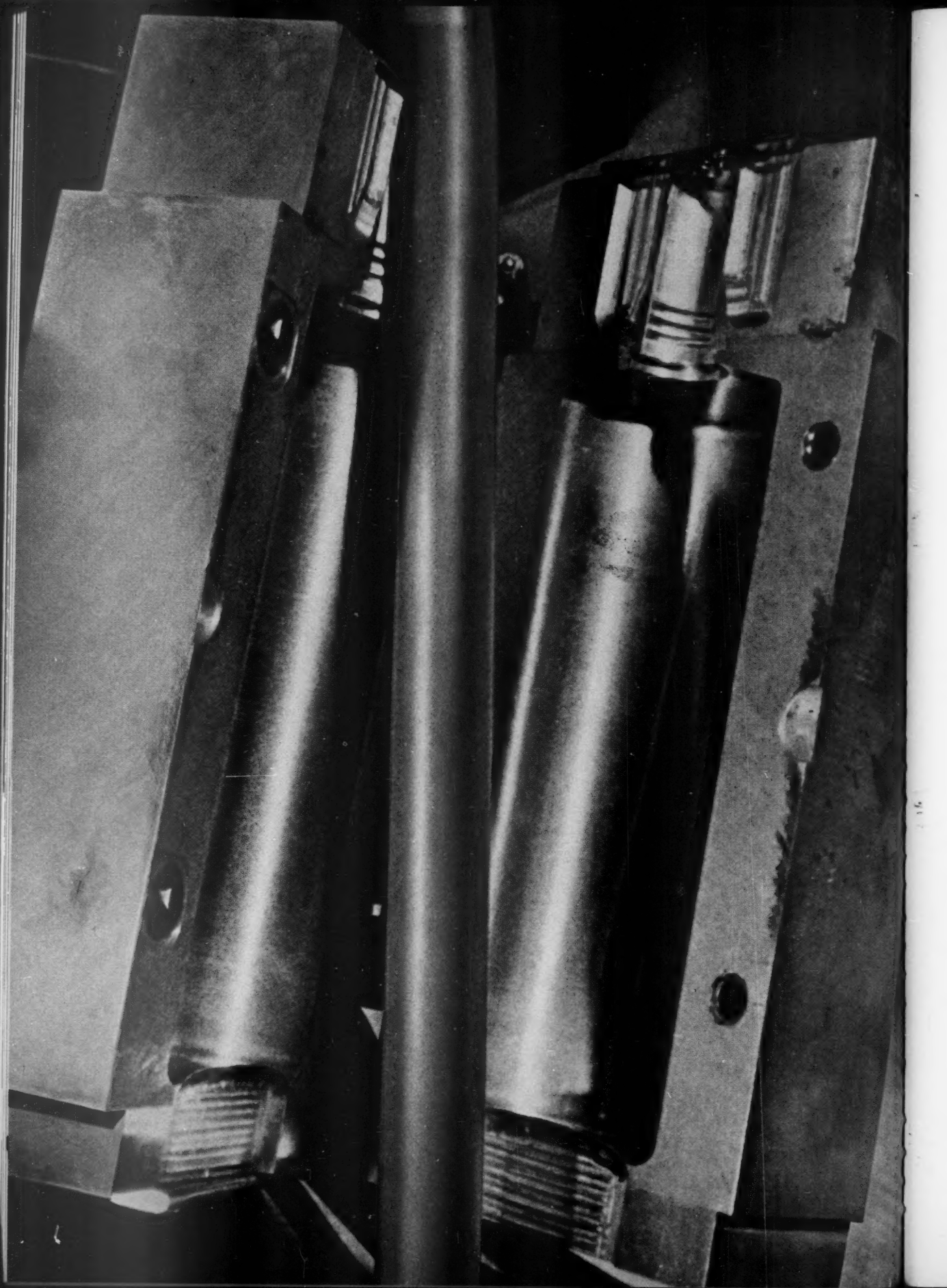
### **McGraw-Hill**

PUBLICATIONS



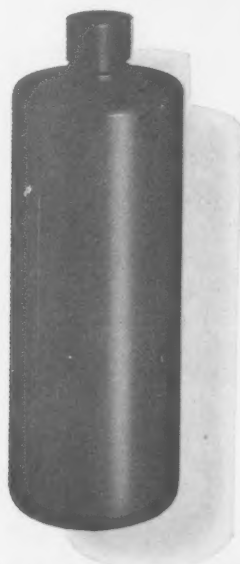
**McGraw-Hill Publishing Company, Inc.**  
330 WEST 42nd STREET, NEW YORK 36, N. Y.

*More than one million key men in business and industry pay to read McGraw-Hill publications.*



WHAT IS THE RIGHT PACKAGE FOR YOUR PRODUCT?

# Consult Celanese Packaging Materials Center



32-oz. modified cylinder container being molded at one of the Celanese Royal Container plants. Vertical, wheel-type machine produces 12 containers per cycle—blown from a continuously extruded hot plastic "parison"

What about a plastic bottle? Last year, American manufacturers of liquid products used a billion of them. This year, the figure will nearly double! No packaging method is growing as spectacularly.

The plastic bottle has "caught on" because it proved its value in modern merchandising. Its feather-lightness reduces shipping problems . . . its tough durability introduces new safety in the home and industry . . . its colorful designability gives new sales appeal and function

to packaging. And, its economy is firmly established.

Packaging drugs, detergents, cosmetics, household and industrial chemicals, foods, aerosol products or automotive specialties? . . . a plastic container can be your next big merchandising idea. Celanese Packaging Materials Center has the information you need to get started—fast! For complete details, simply write Celanese Plastics Company, Dept. 128-L, 744 Broad Street, Newark 2, New Jersey.

Celanese®

MATERIALS FOR *Celanese* MODERN PACKAGING

POLYETHYLENE FILM . . . ACETATE FILM AND SHEETING . . . PLASTIC CONTAINERS

Celanese Plastics Company is a division of Celanese Corporation of America.  
Canadian Affiliate: Canadian Chemical Company Limited, Montreal, Toronto, Vancouver; Polybottle Limited, Toronto.  
Export Sales: Amcel Co., Inc., and Pan Amcel Co., Inc., 522 Fifth Avenue, New York 36.



Modern buildings for modern business from Stran-Steel



## A beautiful buy at a reasonable price

"We couldn't duplicate this building for \$3 more a square foot in conventional construction. It's a beautiful buy—and the price we paid included all plumbing and wiring."

That's Paul George's comment on the Stran-Steel pre-engineered building his firm, the Oliver Rousseau Organization, leases to furniture designer-retailer Harry Jackson at Hayward, California. George and Jackson wanted a contemporary structure of assured quality at minimum cost. "We got it in this Stran-Steel building," says Jackson. "It's as modern as the furniture we sell and beautifully designed,

engineered and constructed. It's a real business asset."

Planning a store building, manufacturing plant, warehouse? You'll do well to consider a Stran-Steel building. Choose from 10 protective Stran-Satin vinyl base color coatings for wall and roof panels. Select your basic structure from the broadest line in the business. Your Stran-Steel dealer offers a package deal—a unique Building Proposal Service, rapid erection, cost-cutting efficiency and an exclusive finance plan. He's in the Yellow Pages under STEEL BUILDINGS or BUILDINGS-STEEL. Call him or mail the coupon.



**STRAN-STEEL**  
Buildings for Modern Business

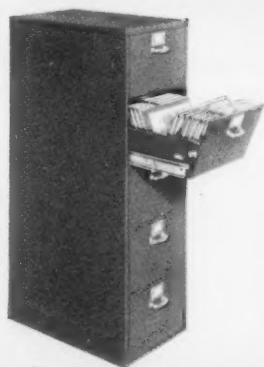


CLIP COUPON AND MAIL TO STRAN-STEEL CORPORATION, DEPT. BW-35, DETROIT 29, MICHIGAN

Please send complete literature on Stran-Steel Buildings in Stran-Satin Color. I'm interested in a building approximately \_\_\_\_\_ ft. by \_\_\_\_\_ ft. to be used for \_\_\_\_\_

Name \_\_\_\_\_ Title \_\_\_\_\_  
Company \_\_\_\_\_ Phone \_\_\_\_\_  
Address \_\_\_\_\_ County \_\_\_\_\_  
City \_\_\_\_\_ Zone \_\_\_\_\_ State \_\_\_\_\_

STRAN-STEEL IS A DIVISION OF NATIONAL STEEL CORPORATION

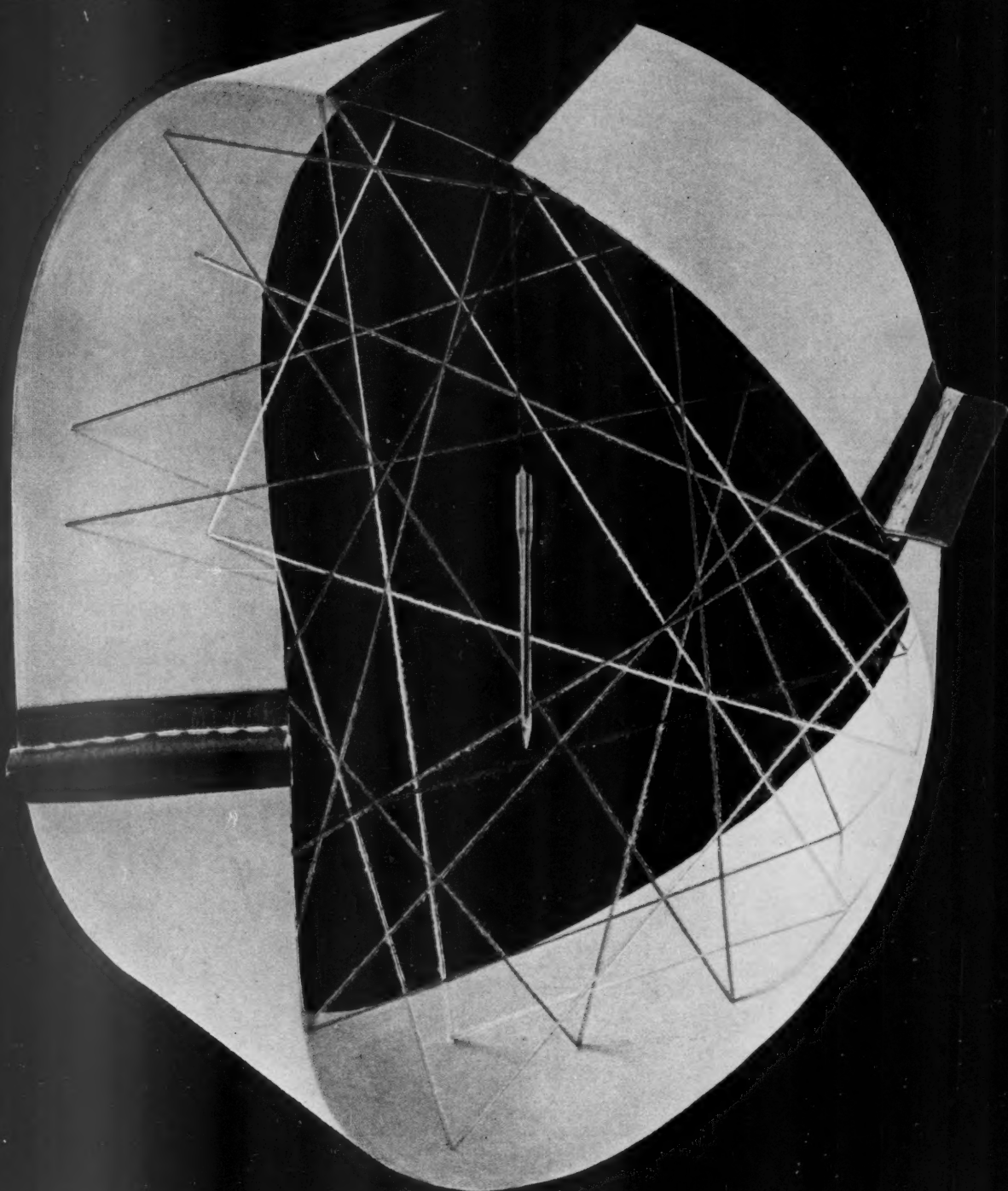


GF Super-Filer No. 5505L in Pine Frost Green

## Can your business afford to collect antiques?

**IT HAPPENS, UNINTENTIONALLY**, even in some of the more progressive companies, through the use of inefficient filing equipment that wastes valuable floor space and clerical time. Only the modern GF SUPER-FILER, with its greater payload, enables you to reduce filing floor space one-third . . . to speed filing and finding time at least 25%. Your nearby GF branch or dealer will welcome the opportunity to prove this claim. Call him, or write Department BW-21, for a SUPER-FILER brochure. The General Fireproofing Company, Youngstown 1, Ohio.

**GF**  
BUSINESS FURNITURE



## Bemis' imaginative packaging builds a pattern for profits

Good packaging begins with good design, materials and construction—and ends, quite appropriately, with the right closure. Thread, twine or tape, you can count on Bemis for the *best* bag-closing materials. You're assured protection in shipping and storing, sales impact in merchandising. All of which means profits for you. Another example of the way Bemis' experience and creativity—in packaging, materials and equipment—can solve your packaging problems. General Offices: 408-D Pine Street, St. Louis 2, Missouri.

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where packaging ideas are born



